POST OFFICE (LIFE INSURANCE).

RETURN to an Order of the Honourable The House of Commons, dated 26 October 1908;—*for*,

COPY "of REPORT of, and EVIDENCE taken by, the DEPARTMENTAL COMMITTEE on the ENCOURAGEMENT of the LIFE INSURANCE SYSTEM of the POST OFFICE."

General Post Office,
October 1908.

SYDNEY BUXTON.

(*Mr. Sydney Buxton.*)

Ordered, by The House of Commons, *to be Printed*, 28 *October* 1908.

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311.

Letter appointing Committee.

General Post Office, London,
March 1st, 1907.

MY LORD AND GENTLEMEN,

The Workmen's Compensation Act of last session has applied to many additional classes of workmen and servants the principle of the employer's liability for accidents to his employees.

In the course of the discussion in the House of Commons upon the Bill, the question was raised whether, having regard to the scope of the new Act, facilities for insurance against the risks created by it should not be provided by the Post Office.

I gave an undertaking that this question should be further examined; and, having decided to appoint a Committee for that purpose, I avail myself with pleasure of your services which you have been so good as to place at my disposal.

You are aware that a Post Office system of life insurance is already in existence. This system is little used by the public, and it has frequently been suggested that steps should be taken, by canvassing or otherwise, to promote its use. This question is closely allied to that which will form the principal argument of your deliberation, and I have therefore added to the reference a clause inviting you to consider this matter also.

The reference to the Committee is as follows:—

"To consider whether it is practicable, and, if practicable, whether it is desirable, for the Post Office to provide facilities for the insurance of employers in respect of their liabilities under the Workmen's Compensation Acts, either generally or subject to limitations.

"And further, to consider whether it is desirable that steps should be taken to encourage the use of the present life insurance system of the Post Office; and, if so, what steps."

I have the honour to be,
My Lord and Gentlemen,
Your obedient Servant,
(Signed) SYDNEY. BUXTON.

The Lord Farrer (*Chairman*).
The Hon. T. H. Cochrane, M.P.
H. Davies, Esq., I.S.O.
The Hon. R. D. Denman.
L. J. Hewby, Esq.
*W. G. Kirkwood, Esq.
W. G. Turpin, Esq.

* Mr. F. J. Brown was subsequently appointed as a member of the Committee for the second part of the inquiry, in place of Mr. Kirkwood, who was absent on sick leave.

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REPORT

OF THE

DEPARTMENTAL COMMITTEE APPOINTED TO CONSIDER THE QUESTION OF ENCOURAGING THE LIFE INSURANCE SYSTEM OF THE POST OFFICE.

TO THE RIGHT HON. SYDNEY BUXTON, M.P., POSTMASTER-GENERAL.

SIR,

WE have the honour to report, as follows, on the second part of the matter referred to us in your letter of 1st March 1907, viz., "to consider whether it is "desirable that steps should be taken to encourage the use of the present life "insurance system of the Post Office, and, if so, what steps."

We have held eleven meetings, seven of which were devoted to the taking of evidence, and have examined eleven witnesses, including representatives of the Post Office, the Savings Bank, and the National Debt Office, and the present and past Registrars of Friendly Societies. We invited the Parliamentary Labour Party and the Institute of Actuaries to send representatives to give evidence; and much regret that we were unable to obtain their opinions upon the subject.

Historical summary.

Before expressing our views on the matter referred to us, it may be convenient that we should give a brief historical sketch of the development of the Post Office life insurance system.

Prior to 1864 the National Debt Commissioners, by whom, or on whose behalf, all annuities and insurances are granted, had the power to grant Government Life Insurances for sums not exceeding 100*l.*; but this power was not utilised, as it had been made a condition of its exercise that the person to whom the insurance was granted should also take out a deferred annuity or old age pension.

In 1864 a Bill was introduced authorising the grant of insurances up to 100*l.* with no such stipulation attached. The chief reason for the introduction of the Bill was stated to be the unsound condition of certain Friendly Societies and insurance companies, and the consequent desirability of providing insurance facilities with Government security for the benefit of the working classes.

There was strong opposition to the proposals of the Government from various interested parties; and as a result of this opposition many conditions and limitations were imposed.

Under the Act as finally passed, both annuity and insurance business were to be undertaken by the Post Office; the minimum and maximum limits of insurances being fixed at 20*l.* and 100*l.*, and of annuities at 4*l.* and 50*l.* per annum. The system was unconnected with the Savings Bank, and was only available at certain specified post offices. The funds were to be invested in Government securities.

The system was not a great success, the average number of insurances effected during the 19 years in which it was in operation being 372 per annum, the average number of immediate annuities 705 per annum, and the average number of deferred annuities 51 per annum.

In 1882 a Select Committee of the House of Commons was appointed to inquire into the operation of the system. The Committee found that the system had been a comparative failure, owing to—

(i) the absence of personal solicitation and collection and the necessity of visiting Post Offices for the payment of premiums;
(ii) the limited number of Post Offices available for annuity and insurance business;
(iii) the maximum and minimum limits of amount;
(iv) the complicated nature of the formalities required.

They were not in favour of the employment of canvassers; but recommended the attachment of the annuity and insurance business to the Savings Bank system, so that Savings Bank accounts could be used for the payment of premiums and that the business could be transacted at every Savings Bank Post Office. (The Savings Bank Post Offices in 1882 numbered 6,700 as against 2,000 Post Offices available till then for the transaction of such business.)

The Committee recommended the raising of the maximum limit of both annuities and insurances to 200*l.*; and the reduction of the minimum to the smallest amounts practicable. They also recommended certain simplifications of procedure, an extension in the limits of age (both maximum and minimum), and a revision of the tables of premiums.

The report of the Committee was followed by the Government Annuities Act of 1882, which authorised the attachment of the business to the Savings Bank, prescribed limits of 5*l.* and 100*l.* for insurances and of 1*l.* and 100*l.* per annum for annuities, and gave effect to the recommendations of the Committee as regards extension of the limits of age and simplification of procedure.

New tables were prepared, giving considerably reduced rates which were rendered possible by the reduction in the cost of the system effected by linking it to the Savings Bank system. The new rates were subsequently applied to pre-existing contracts.

In June 1892 the Postmaster-General sought the authority of the Treasury to enlist the services of schoolmasters and schoolmistresses in obtaining annuity and insurance business, and to pay them the same rates of commission as were paid to Post Office servants.

The Treasury referred this matter, together with a proposal from the Post Office for a revision and reduction of rates, to an Inter-Departmental Committee, which sat in 1893.

This Committee found that considerable profits were realised on the insurance business, and recommended the adoption of somewhat reduced rates. As regards deferred annuities, although the last valuation showed a deficit, the Committee recommended that any change in the rates of premium should be considered after the next quinquennial valuation had been made.

The Committee, although not in favour of the suggestion that schoolmasters and schoolmistresses should be employed as agents, did not veto such employment, but recommended that if it should be decided upon, certain restrictions should be imposed. They recommended an extension of the field of investment, but recognised that under the existing law investment must be confined to Parliamentary securities, and that any gain arising from an extended field would therefore be small.

The Treasury sanctioned the proposed reduction of rates, and agreed with the Committee that the employment of special agents was undesirable; at the same time they recommended further advertisement of the system by the Post Office. They were not prepared to sanction any extension of the field of investment outside British Government securities.

The new tables came into operation on the 1st February 1896, and existing contracts at once obtained the benefit of the new rates.

The reduced rates of premium produced an increase of business in 1896, but the increase was not maintained, and the business since then has tended to shrink, both as regards number and value of policies, the average annual number of new contracts being 720, and the amount insured per contract 49*l.*

Our reference, in the first place, invites us to consider whether it is desirable to encourage the use of the present Post Office life insurance system.

It seems to us clear that if the system is to be continued at all, it is desirable that it should be in a healthy state of expansion, as it cannot be expected that a business in a condition of stagnation can be kept abreast of modern requirements, which in the sphere of insurance have shown such remarkable developments in recent years.

Apart, however, from the desirability of expansion as a necessary condition of progress, it seems to us certain that there are a considerable number of people who would be glad to insure their lives with Government security, but to whom, in many cases, the very existence of a Government insurance system is unknown. The Post Office possesses unique facilities for conducting an insurance system adapted to the needs of the smaller insurer at a minimum of cost and with a maximum of accessibility. These facilities should be especially advantageous in relation to insurance for purposes of genuine thrift, as distinguished from mere "burial insurance." We gather that the former species of insurance is practised by the wage-earning classes to a much

smaller extent than might be expected from the great development of the industrial insurance companies and collecting friendly societies, the average amount per policy insured with these organisations being apparently about 10*l.* only. It is, we think, greatly to be desired that the wage-earning classes should be led to practise insurance on advantageous terms for more substantial amounts; and we believe that, with greater publicity and simplicity, coupled with the removal of certain restrictions, the Government system would attract larger numbers of insurers than at present, and that these would insure for larger sums than heretofore.

We are therefore of opinion that it is desirable to encourage the use of the present life insurance system of the Post Office.

This being so, we have next to consider what steps can be taken to further this end.

The present Post Office life insurance system labours under certain disadvantages, some of which are inseparable from any business undertaken by the State, whilst others seem to us capable of removal, or at least of modification.

Amongst the former we would place the lack of elasticity inherent in any Government undertaking, and the necessity for restricting the investment of funds to less remunerative securities than those held by private companies. These are drawbacks which must be accepted as essential features of a State insurance system.

On the other hand, there are a number of possible modifications which suggest themselves to us as likely to increase the utility and popularity of the system.

Maximum limit.

In the first place, we would certainly recommend an increase in the maximum amount that can be insured. This has stood at 100*l.* ever since the inception of the system, although an increase to 200*l.* was recommended by the Select Committee as long ago as 1882. It was strongly represented to us by the Savings Bank witness that the present limit acted as a deterrent to intending insurers; and that a large amount of profitable business was lost in consequence. Q. 362, 370–81.

We can see no valid ground for limiting the amount of insurance to 100*l.*; although we see reasons for not removing the maximum limit altogether. Friendly societies are empowered to grant insurances up to a limit of 200*l.*; and an endowment insurance of nearly that amount would be required to enable the insurer to purchase an old age pension of 5*s.* a week at the age of 65. Again, under the Workmen's Compensation Act, the State has recognised 300*l.* as the sum which a dependant may rightly receive in the event of the accidental death of a wage-earner; and it seems to us that if the State offers policies of insurance to the wage-earning classes, it cannot reasonably limit to any lower figure the amount which a member of these classes may insure for his family, should his death result from natural causes.

We recommend, therefore, that the limit should be fixed at 300*l.*

Payment of premiums.

In the second place, we would recommend that provision should be made for the payment of premiums at frequent and regular intervals. The present system is for the Post Office to deduct the premiums annually from the insurer's savings bank account, the payments into the account being made at his convenience.

It is a matter of common knowledge that the budget of the wage-earning classes is calculated on a weekly basis, and it is essential to recognise this in any scheme which is to appeal to and be well received by such classes; and we think that it should be embodied in any plan for providing further insurance facilities. We are not prepared to suggest a house-to-house weekly collection of premiums, such as is practised by the industrial insurance companies, as we recognise that any such arrangement would very greatly increase the expenses of the Post Office system; but we think that an approximate equivalent to the weekly collection of premiums might be provided by other means, possibly by a development of the stamp slip system at present in use in connection with savings bank accounts.

We think that where the expenses of the process would not involve an excessive loading, the Department should accept premiums in quarterly instalments; that tables showing quarterly premiums should be issued; and that tables showing the insurance corresponding to certain definite weekly payments should also form an integral part of any advertisements or notices issued by the Post Office. Policy holders would, of course, be entitled to benefits as soon as the first quarter's premium had been paid.

Tables of premiums.

It appears to us that the tables of premiums are susceptible of modification in various other directions, in order to bring them more into harmony with present-day requirements. We do not propose to go into detail as to the precise modifications

which are desirable; but we think that a more complete system of endowment insurance tables is needed, as well as of tables for whole life insurances in return for a limited number of premiums. We think that the regulation which deals with the tables should lay down what can be done in as broad a way as is consistent with the Acts of Parliament governing the system, so that the Postmaster-General may be enabled to grant insurances for which there may be no published tables, provided that such insurances are within the Act of Parliament and that the bases of calculation have been approved by the Treasury and Parliament.

With profits tables.

Q. 403–39, 1053.

Some witnesses suggested to us that it was most desirable that the Government should grant a distinct class of policies based on new "with profits" tables. We gather that such policies are popular with the public; but we cannot say that we are prepared to recommend that they should form part of the Post Office system.

It appears to us that the proper course for a Government system is to fix its premiums at the lowest amounts compatible with safety. If special "with profits" tables were instituted, it would be impossible for the Government system to obtain such satisfactory results in this direction as insurance companies obtain, having regard to the high premiums that would be necessitated by the strictly limited rate of interest which the Government is able to earn. The latter circumstance might tend to provoke unfavourable comparisons between any "with profits" tables which might be instituted by the Government and the terms given by the companies, and so react to the disadvantage of the Government system.

Disposal of surpluses on the fund.

We think that as a general principle any surpluses accruing on the insurance fund ought to be utilised for the benefit of insurants.

The disposal of any surpluses upon the fund is at present regulated by the Government Annuities (Investment) Act of 1864 and the Government Annuities Act of 1882.

Section 3 of the Government Annuities (Investment) Act of 1864 provides, with regard to deferred annuities and insurances, that if at the quinquennial valuation of the fund "it shall appear that the amount of the liabilities is greater than that of the "said assets, the Commissioners of Her Majesty's Treasury shall charge the deficiency "upon the Consolidated Fund; and if it shall appear that the value of the assets is "more than sufficient to discharge the liabilities, the said Commissioners of the "Treasury shall direct that there be cancelled out of the securities held by the "Commissioners for the Reduction of the National Debt an amount not exceeding "four-fifths of such surplus."

Section 5 (4) of the Government Annuities Act, 1882, provides that "the tables "shall be framed in such manner that the fund formed by the receipt of sums in "respect of deferred annuities and of insurance, and the amounts paid for immediate "annuities, shall respectively be adequate (after payment of expenses) to meet all "claims without causing any loss to the Exchequer."

Section 5 (9) of the same Act provides that "if the fund formed by the receipt of "sums in respect of insurances is so much in excess of the liabilities that it is "possible to reduce the payments made to obtain insurances, and a new table is made "under this section for that purpose, the Treasury may provide for giving to the "persons entitled to insurances in force at that time such portion of the surplus of "the said fund as seems just in such manner as seems expedient."

Q. 550, 738.

We understand that the only sum that has been appropriated under the Act of 1864 consisted of 30,000*l.* of Consols, and that this sum accrued before the passing of the Act of 1882; but it might be held that the Treasury have still the power to appropriate surpluses, as an alternative to applying such surpluses to the reduction of premiums and otherwise utilising them for the benefit of insurants.

We think that in future any surpluses that may be shown on the insurance fund should be applied for the benefit of existing insurants, a reasonable proportion being set aside at each valuation to form a reserve fund to meet possible future deficiencies.

We do not think that such a distribution should (as at present) be dependent upon the formation of new tables, as there may frequently be occasions when there may be profits, but not so large as to justify a revision of the tables.

We recognise that the question is complicated by the fact that the insurance and deferred annuity funds have hitherto been regarded as one, and that there is a large deficiency upon the deferred annuity fund which more than counterbalances the surplus at present existing on the insurance fund.

We think that in future these funds should be entirely separated, provided that steps are at the same time taken to place the deferred annuity fund upon a solvent basis, without loss to the Exchequer.

The question next arises as to the proper means of distributing any surpluses hereafter found to exist upon the insurance fund. We think that the distribution should be in the form of an addition to the sum insured, or an equivalent option to the policy holders; and that if the profits at any valuation are sufficiently large to indicate that a general reduction of rates might safely be made without a risk of incurring subsequent deficiencies, a revision of the tables should also be carried out.

Any additions to sums insured resulting from the distribution of profits should not be taken into consideration in connection with the question whether the maximum limit is exceeded.

Method of loading. Q. 866. Q. 871–2.

We think that certain modifications are required in the tables to secure a more equitable method of loading, the technical term for apportioning the expenses of an insurance policy. The present method of loading is to add 4*d.* to the premium for each 5*l.* insured up to 25*l.*, and 5 per cent. to the premium for amounts from 25*l.* to 100*l.* The result is that many of the policies for the smaller amounts pay less than their full share of expenses.

We recognise that an ideal system of loading, under which each policy would bear its own expenses, is unattainable in practice; but we think that some readjustment should be made in order both to increase the amount available for expenses of management and to redistribute the burden more equitably amongst the insurants.

Investment of fund. Q. 673.

The insurance fund has, up till now, been invested solely in Consols. The Committee of 1893 recommended an extension of the area of investment to more remunerative Parliamentary securities; but hitherto no steps have been taken in that direction. We think that a substantial portion of the fund should in future be invested in the most remunerative Parliamentary securities that can be obtained at the time; but we do not think that any non-Parliamentary securities should be allowed.

Publicity. Q. 1958.

We are convinced that one of the chief causes of the stagnation of the system is to be found in the want of publicity from which it has suffered. We gather that the very existence of the system is unknown to the great bulk of the wage-earning classes; and those who have heard of it are very imperfectly acquainted with its convenience and cheapness.

We recognise that neither in the loading, nor in the allowances to the Post Office for expenses of management, has any provision yet been made for giving the business suitable advertisement. We think that advertisements, as simple and attractive as it is possible to make them, dealing solely with the insurance system, should be drafted; that they should be couched in popular rather than in official or legal phraseology; and that provision should be made for their prominent display both at Post Offices and in official publications. We understand that house-to-house distribution of leaflets has been made from time to time; and that the co-operation of employers of labour has been invited to secure the exhibition of advertisements in workshops and factories. These efforts should be renewed when the new advertisements have been drawn up.

We are not in favour of the employment of paid outside canvassers; but we think that very useful results would be obtained if the services of the Post Office staff were more extensively utilised in obtaining business.

Q. 68, 101. Q. 1421–4; 1463–6, 1502–3.

At present a commission (varying from 1*s.* to 4*s.*) is payable to any Post Office servant who witnesses the signature to a proposal which is afterwards accepted; but there seems to have been a general impression throughout the service that activity in securing business would not be regarded favourably at headquarters, and the result has been that the amount of business obtained by Post Office servants has been negligible. We think that steps should be taken to correct this impression; and that in particular sub-postmasters should be given to understand that activity in securing business will be favourably regarded.

If our recommendations as to an increase of the maximum be carried into effect, it will be necessary to fix a further scale of commissions for contracts above 100*l.* in amount; and the existence of this scale will increase the inducements to Post Office servants to endeavour to obtain business.

We are doubtful as to the desirability of offering commissions to persons outside the Post Office service, except in the case of officers of Friendly Societies, referred to below.

Friendly Societies.

Q. 303-16, 1518-35.

Q. 311-6, 1520-3, 1590-6.

It appears to us that one of the most promising directions for an extension of the system is amongst the members of small Friendly Societies, who enjoy facilities for obtaining sick pay, but who are unable to obtain, through their society, any facilities for payment at death or on reaching a certain age (beyond, in some cases, burial money). There is already an arrangement in existence for the payment of premiums in bulk to the Post Office by Friendly Societies, on behalf of their members; but hitherto this arrangement has been made very little use of, owing partly to difficulties which the societies have experienced in framing rules on the subject which will meet the approval of the Registrar of Friendly Societies.

Q. 1771-87.

We gather from his evidence that the objections raised by the Registrar are technical rather than fundamental; and we think that it would be an advantage if he could see his way to prepare a standard set of draft rules which would enable a Friendly Society to become the medium for the payment to the Post Office of the insurance premiums of its members.

Such an arrangement would meet what we believe to be an undoubted need, and the business which it would attract would be of a profitable nature, as much of the work ordinarily falling to the Post Office would be performed by the Friendly Society with advantage to both parties.

For this reason we would recommend that modified rates of commission be paid to secretaries or other officials of Friendly Societies or similar bodies which enter into a special arrangement with the Post Office.

Minor modifications.

Various minor modifications in the system which we recommend are as follows:—

(i) An extension of the limit of insurance without medical examination to 50*l.*, and earlier benefits in such cases.

(ii) A considerable simplification of the present proposal form, and the removal of the restrictions as to its attestation.

(iii) The relaxation of the restrictions as to residence.

(iv) The withdrawal from the conditions of the policy of the special provision as to suicide.

(v) An arrangement under which immediate payment on death can be made to the extent of 50*l.*, provided no legal obstacles exist (we understand that such an arrangement is in force in the case of the Civil Service Provident Society).

(vi) A modification of the amounts paid on the surrender of contracts, which in certain cases are too large to allow of due provision being made for the initial expenses of the contracts.

(vii) The application of surrender values of contracts to keep up premiums which have fallen into arrear.

(viii) The granting of loans on policies at a fair rate of interest.

We abstain from making detailed recommendations on these points, as we think they may safely be left to the responsible officers of the departments concerned.

In any extension of the Government insurance system, we think that the provisions of section 7 of the Act of 1882, whereby a savings bank insurant must be regarded as a Savings Bank depositor, should be modified. Although for a general system the Post Office Savings Bank affords the easiest and cheapest method of paying premiums, yet we think that the Government insurance system should be sufficiently elastic to enable persons other than Post Office Savings Bank depositors to take advantage of it. At present Trustee Savings Bank depositors are compelled to transfer their deposit accounts to the Post Office Savings Bank before insurances can be granted to them.

General conduct of system.

Whilst we think that the modifications which we have recommended will have a considerable effect in extending the use of the Post Office life insurance, we feel that the business has suffered in the past by being conducted under a system of dual control.

We think that the function of the National Debt Commissioners should be mainly confined to the investment of the funds and the control of what may be called the "Haute Finance"; and that in matters of detail and relations with individual insurers the Savings Bank should act independently. It would, of course, be advantageous for the Savings Bank to have its own Actuary, should the growth of the business at any time warrant the appointment.

In order to secure proper supervision of the system, we think that a separate annual report upon its working should be made to the Postmaster General by the Controller of the Savings Bank. Annual report.

We desire to express our special thanks to our Secretary, Mr. Raven, whose mastery of this intricate subject enabled him to be of great assistance to us in the preparation of our Report.

We have the honour to be,
Sir,
Your obedient Servants,
FARRER (*Chairman*).
F. J. BROWN.
THOMAS COCHRANE.
H. DAVIES.
*R. D. DENMAN.
L. J. HEWBY.
W. G. TURPIN.

E. RAVEN (*Secretary*),
6th May 1908.

* Subject to attached reservation.

Memorandum by Mr. Denman.

Maximum limit.

While in general agreement with the methods of encouragement recommended in the Report, I am unable to support the recommendation relating to the "maximum limit" which would affect a substantial change in the character of the present system, as accepted by Parliament.

The purposes of the Post Office Life Insurance System were clearly stated when the Bills of 1864 and 1882 were before the House of Commons. The system was expressly instituted, not to cover the general field of life insurance, but to undertake the special task of encouraging sound insurance amongst the working classes; to provide facilities for the erection of "a structure of thrift . . . amongst the "labouring classes of the country."

In both 1864 and 1882 Parliament decided that the needs of the classes in question would be met by policies not exceeding 100*l.* in value. No evidence has been adduced to show that this sum is not still ample for the purpose for which it was intended.

To raise this limit would no doubt increase the insurance business transacted by the Post Office. But the failure of the present system to perform the function for which it was designed is no reason why it should undertake business for which it was not designed. It is true that the conditions prevailing in the insurance world are widely different now from what they were in 1864. But in spite of these changes I regard the object of the Post Office system as substantially the same now as it was then; and I see at present no need for a Government system of life insurance, unless it be to provide for the working classes the advantages of "ordinary" insurance.

The proposal to raise the limit to 300*l.* is largely a concession to the principle that the system exists to supply policies for persons who desire to have Government security.

To this principle I demur. It is no doubt important that people should be able to insure with good security; and it may well be deemed a duty of the State to take steps to enable them to do so. Such steps lie naturally in one of two directions. Either the action of companies may be subjected to legislative regulation tending to ensure their solvency, or the State may set up an undoubtedly solvent system of its own. But there are manifest objections to the pursuit of both courses at once. And as the State entered upon the first course, with some success, in the Life Insurance Companies Acts, 1870 to 1872, it seems unwise to enter upon the second course now.

Report and Evidence, Life Insurance Companies Committee, 1906. Q. 2066.

Moreover, unnecessary competition between the State and Insurance Companies is inadvisable for cogent reasons advanced by the Secretary to the Post Office.

I therefore recommend that the initial maximum remain at 100*l.* The present restriction, however, which prevents an insurant from subsequently taking out policies beyond this sum seems to serve no useful purpose. Accordingly, I recommend that a policy-holder be allowed to continue in his path of thrift and take out additional policies to a value not exceeding 100*l.* in any one calendar year.

Commission.

I am strongly of opinion that all attempts at encouragement will prove comparatively useless unless they are accompanied by an increase in the scale of commission. Life insurance is a complex and forbidding subject, and it is a commonplace that leaflets and printed statements produce little effect except in conjunction with personal explanation and persuasion. The Post Office has recognised the necessity of this personal stimulus by giving commissions to any of its officers who witness the signatures to proposal forms that subsequently become contracts. But this commission has been fixed at sums far below those current in the trade, and it is probably not worth taking any trouble to earn. On a 100*l.* policy, for example, whereas a usual commission would be 1*l.* with 2½ per cent. on each renewal premium, the Post Office pays only a single sum of 4*s.*

Q. 1987.

To Sub-Postmasters whose Post Office work is only a part of their whole business, these rates must be especially unattractive. For all other classes of insurance they are at liberty to act, and frequently do act, as agents for companies; and they earn the normal rates of commission applying to each class of insurance. In life insurance, on the other hand, they are allowed to act only for the Post Office, and are rewarded by a commission which they doubtless know is far less than they would receive if they

represented companies. This fact can hardly encourage them to take an active interest in the system.

I recommend, therefore, that in order to give "Commission Sub-Postmasters" an effective inducement to interest themselves in life insurance they should be paid commission at the rate of 1 per cent. on the sum assured and $2\frac{1}{2}$ per cent. on renewal premiums; and that they should be permitted to act as agents for companies for policies exceeding 100*l.* in value.

For obvious reasons of administrative convenience, and also because it is preferable to conduct so technical a business through a moderate number of commission-earners rather than through any chance individuals in an army of some 200,000 persons, I recommend that commission be payable only to "Commission Sub-Postmasters" and to approved individuals or societies that represent, or have special connection with, the working classes, *e.g.*, Friendly Societies, &c.; and that the present practice of paying sums to officers who witness successful proposal forms should cease. It would, of course, be open to anyone who desired to introduce business to make such arrangements as he chose with a Sub-Postmaster, and his share of the commission would usually amount to a larger sum than the entire sum he now receives.

The Fund.

If the recommendation relating to the distribution of profits be adopted, it will be advisable to introduce a method of valuation that has regard to the permanent value of the securities held, rather than to their value as judged by the prices of a particular day.

It will also be important to secure that the Fund be managed on principles more consonant with those of ordinary Insurance Business than has been the case in recent years. The theory put forward on behalf of the National Debt Commissioners that the bulk of the Insurance and Deferred Annuity Fund ought to be invested in a security more easily realisable than, *e.g.*, Local Loans, is not supported even by the facts of their own experience. No other principle was offered to justify the consistent selection of Consols in preference to "Parliamentary Securities" that would frequently have been better suited to the purposes of the Fund. The deficiency on the Fund shown by the quinquennial valuation at 31st December 1905 and charged upon the Consolidated Fund is 18,703*l.*

Q. 684–690, 756, 757.

Q. 546.

Loading.

I am unable to concur in the recommendation to readjust the system of loading so as "to redistribute the burden more equitably amongst the insurants." The present method appears to fulfil this aim as far as is feasible. No practical scheme for improvement on these lines was suggested to the Committee.

Several recommendations—*e.g.*, distribution of profits, granting of loans, payment of commissions on renewal premiums, &c.—will, no doubt, be impracticable to apply in the case of low-valued policies. In such cases, I suggest that the precedent created by the existing system of loading, by which policies of higher value are treated differently from those of lower value, should be followed; and that the recommendations should not be regarded as referring to the latter class of policies.

R. D. DENMAN.

ALPHABETICAL LIST OF WITNESSES.

Name.	Description.	No. of Questions.	Page.
Mr. W. BATCHELOR - -	Principal Clerk, Savings Bank - - - -	1–527	1
Mr. J. BLAKEY - -	Actuary, National Debt Office - - - -	528–983 1121–1276	18 and 36
Sir E. BRABROOK, C.B. -	Late Chief Registrar of Friendly Societies - -	1800–1905	66
Mr. GEORGE EDSER -	Local Collector, Society of Foresters - - -	1906–2000	73
Sir G. HERVEY, K.C.B. -	Secretary and Comptroller General, National Debt Office.	528–799	18
Sir ROBERT HUNTER - -	Solicitor to the Post Office - - - -	1277–1415	41
Mr. C. D. LANG, C.B. -	Late Controller of Savings Bank - - -	984–1120	32
Mr. F. SALISBURY - -	Postmaster of Liverpool - - - - -	1416–1623	50
Mr. J. D. STUART SIM -	Chief Registrar of Friendly Societies - - -	1624–1799	58
Mr. H. BABINGTON SMITH, C.B., C.S.I.	Secretary to the Post Office - - - -	2065–2188	79
Mr. W. WALKER - -	Head of Post Office Telephone Canvassing Staff -	2001–2064	76

MINUTES OF EVIDENCE

TAKEN BEFORE THE

DEPARTMENTAL COMMITTEE

ON

POST OFFICE LIFE INSURANCE.

At the General Post Office, St. Martin's-le-Grand.

Tuesday, 12th November 1907.

PRESENT:

LORD FARRER (*in the Chair*).

F. J. BROWN, Esq.
The Hon. T. H. COCHRANE, M.P.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. G. TURPIN, Esq.
E. RAVEN, Esq. (*Secretary*).

Mr. W. A. E. BATCHELOR called and examined.

Mr. W. A. E Batchelor.

12 Nov. 1907.

1. (*Chairman.*) Will you be good enough to state your official position?—I am a Principal Clerk in the Annuity and Insurance Branch of the Savings Bank Department.

2. You have come to tell us the improvements which you think should be made in the insurance system if it is to become more of a success?—Yes.

3. Presumably some of these improvements would require legislative sanction?—Yes, some would require legislative sanction, and some would merely require an alteration in the Statutory Regulations or Treasury sanction.

4. Perhaps it would be well to begin with the latter, and to take those requiring legislation afterwards?—Yes.

5–14. Will you then begin with the first of the suggested changes which can be carried out without legislation?—The first change which I would suggest is a modification of the present proposal form. The form of proposal has remained unaltered since 1884, and cannot now be considered to be up-to-date in respect of modern insurance methods. The Department has only one form of proposal, and this has to meet the case of children and also of insurances with and without medical examination. Many of the questions asked are not required as a means of estimating the value of the life, and do not affect the rates of premium in medical examination cases. In addition to the preliminary statement by the proposer, 16 questions are required to be answered, and the form is printed on a double sheet of foolscap. The matter can readily be reduced to two pages, and all necessary information elicited by fewer questions. The revision of the form may be accomplished in two ways: Firstly, by eliminating unnecessary questions, but retaining such questions relating to health as are necessary in respect of non-medical cases. Secondly, by further elimination of questions, making the form as simple as possible. In this case the estimation of the value of the life offered for insurance would depend as follows:—In medical examination cases—on information brought out by the medical examination. In non-medical examination cases—on information elicited by a subsidiary list of questions sent to the proposer. As providing the shortest possible form of proposal, the second method of revision seems to be the better plan. The present form has a staggering effect on most people when required to fill it up as the first step towards insurance. Many of the questions asked are inquisitorial, and are such as often cannot be answered off-hand, and experience has shown that the length of the form has had a distinctly adverse effect on the business. The new proposal form, as suggested in the second method of revision, would present no awkward questions, and the short statement required would not have a deterrent effect on a proposer.

15. Have you a suggested revised form?—Yes; I have a form which we prepared to meet the requirements of the Regulations, and two others which do not meet the requirements of the present Regulations.

16. Do you mean with no other sanction?—We should have to have fresh Regulations.

17. The Regulations are internal, I gather?—Yes.

18. Have you anything else to say about the proposal form?—The next point for consideration is the attestation of the proposal, which at present may only be signed in the presence of an officer of the Postmaster-General, and as a general rule a visit to

Mr. W. A. E. Batchelor.

12 Nov. 1907.

a post office is absolutely necessary. There seems no sufficient reason why this should be so. It may be urged that it is for the purpose of obtaining a trustworthy opinion of the proposer, but the report obtained from a postmaster is of little value unless the proposer is known to the officer making the report. In medical examination cases the question of the acceptance of the proposal is based upon the report of the medical examiner, and in non-medical examination cases, if considered necessary, a subsidiary list of questions relating to the proposer's health and family history could be signed at a post office if a proposal were signed elsewhere. There does not seem to be any particular reason why any attestation of the proposer's signature should be required unless for the purpose of ascertaining whether any commission is payable in respect of the transaction; but if it is thought that attestation is necessary, it is a question whether the signature of any householder should not be accepted.

19. That finishes the question of these proposal forms?—Yes.

20. (*Mr. Davies.*) Broadly, which questions do you think might be omitted in the present form?—The first questions: "How long have you been married, and, if "so, how many children living? Are any, and, if so, "how many, dead?" All those might be omitted.

21. (*Mr. Cochrane.*) Have you a copy of your amended form which we could compare with the present one?—Yes.

22. (*Chairman.*) How was this form originally got out?—By the Solicitor to the Post Office based on the previous one, I take it; it was done in the Post Office certainly.

23. You recommend that it should be simplified and altered?—Decidedly.

24. And have you settled absolutely in your own mind what is the best way of simplifying this?—No, I have not, for this reason, that it depends upon whether you want it to comply with the present Regulations or not. In any case you could simplify it even to comply with the present Regulations, but if you amended the Regulations it would be very much more simplified than if they remained as at present.

25. (*Mr. Davies.*) That is the Regulations as distinct from legislation?—Yes; the Regulations lay down what should appear in the present form.

26. (*Chairman.*) I think it would be desirable to get your ideal form absolutely, because that would simplify our questions. I presume you have got one proposal form with the Regulations altered as you would like?—Yes, I have two.

27. I do not see how we are to get at what you would like best unless you state definitely which of the two you would like best?—One would necessitate only in non-medical cases a subsidiary list; it would meet all medical cases; but it would not meet non-medical cases, because we have to investigate curselves into the family history in non-medical cases.

28. You have only one form of proposal now. Do you wish to have two new forms instead of the one?—No, I do not.

29. Then it resolves itself into one?—Yes, and the question is, which is preferable.

30. That is a matter as to which I think we would rather ask you; we want to know what your opinion is?—My opinion is the very simplest form you can have.

31. Perhaps we might get that from you; the Committee may like to ask questions on the other ones; but I should prefer getting the very simplest form put in as your opinion of what is most desirable?—It might be printed, and would take the size of a sheet of note-paper.

32. (*Mr. Turpin.*) Have you any idea by whom the original form was drawn up?—The original form was based on the one in use before 1884.

33. Do you know how the one before 1884 was drawn up?—Mr. Scudamore drew it up entirely by himself

34. It was not submitted to the National Debt Commissioners?—I do not know; the present form was.

35. I think it was done in conjunction with the National Debt Commissioners, and probably with the consent of the Treasury on the top of that?

36. (*Chairman.*) May we take it that you put in the proposal form in the shape which, other things being equal and these constitutional difficulties being got over, you would like to see?—Yes.

37. (*Mr. Brown.*) I am not quite clear even now. Is this ideal form to be used in medical and in non-medical cases both?—Yes.

38. Would you still propose a subsidiary list of questions, in other words, another form for the non-medical cases?—Another form to be sent out from the Department on receipt of the proposal; we should get the information we required afterwards.

39. There would be two forms, one of which would be applicable to all cases, and a further form which would be applicable to the non-medical cases?—That is so—the latter would be a departmental form.

40. I do not quite follow the distinction?—We should draw it up ourselves without any reference to anyone.

41. Do I understand that this ideal form would necessitate an alteration of the statutory Regulations?—Decidedly it would.

42. By "statutory" I meant those the Postmaster-General drew up in conjunction with the Treasury; I see that these Annuity and Insurance Regulations are approved by the Treasury?—Yes.

43. I take it that it would be these which would require alteration?—Yes.

44. But that would not require any legislative sanction?—No.

45. Could you tell us briefly how your ideal form, or the present form for that matter, compares with the corresponding form of first, ordinary, and second, industrial insurance companies?—It is a more complicated form than most of the insurance companies have, especially now-a-days.

46. You mean the present form is more complicated?—Yes, there are a lot of unnecessary questions in it which are of no advantage, and which do not affect the question of the estimation of the life at all.

47. Would the ideal form be simpler than that of the ordinary companies, broadly speaking?—Yes, it would be.

48. How would it compare with that of the industrial companies?—They do not, as a rule, have any proposal forms at all.

49. (*Mr. Cochrane.*) You suggest two forms to substitute for the existing long form—one in the case of non-medical and the other in the case of medical cases?—The proposal form would be sufficient for medical cases where there was a medical examination, but it would not be sufficient for non-medical cases, and we should have to ask a subsidiary list of questions.

50. In the medical cases would it be the medical referee who would make personal inquiries?—I should put the inquiries which now appear on the proposal form into the medical examiner's report.

51. And he would make them privately from the family?—He would ask about the family history himself.

52. And in non-medical cases you propose a supplementary list of questions which would be put to the proposer himself?—Yes.

53. Apart from that, you suggest that the form showed be as short and simple as possible?—Precisely.

54. And you think the simpler it is the more readily you would get people to come forward?—I think so; we could put it into the Savings Bank deposit books for instance, and issue it in that way.

55. You think it should be done in that way?—Yes, it would be of so convenient a size that we should be able to put it in the deposit books, which we have sent up to the Savings Bank Department for examination.

56. There was only one point raised by Mr. Brown, and that was as to statutory Regulations; I understand that these Regulations that are drawn up have not to

get the sanction of Parliament; they are arranged between the two Departments?—Are you speaking of that proposal form?

57. The existing proposal form is not statutory in the strict sense of the word?—No, it is not statutory.

58. It is a Departmental arrangement? — It is framed upon the Regulations; the Regulations lay down certain requirements that shall appear in the proposal form.

59. And it is open to those Departments which arrange this proposal form to alter it and to substitute for it an amended proposal?—Yes.

60. And a recommendation from the Committee might probably assist them in doing so?—Yes.

61. You are prepared to suggest what you think would be a short and suitable form of proposal?—I am prepared.

62. And you probably base that upon the experience gained from studying similar proposal forms of insurance companies?—We have studied hundreds of them, —well there are not hundreds really, but there are scores of them.

63. You have generally acquainted yourself with the proposal forms of industrial and ordinary insurance companies, and have drafted a proposal form which you think would meet the case?—That is so.

64. And you hand that in?—Yes.

65. (*Chairman.*) You could prepare a supplementary list of questions which you suggest would be necessary in the non-medical cases? — Yes, from our present proposal form.

66. And you could put that in to the secretary with the other?—Yes.

67. What have you to say about the payment of commission?—The present rule is that commission can only be paid to officers of the Postmaster-General. I do not suggest the employment of special agents or canvassers, as such employment has been definitely vetoed in the past; but there appears to be little argument to urge in favour of the payment of commission to officers of the Postmaster-General only. On the other hand, there are numerous arguments in favour of the payment of commission to other persons. Secretaries of tontine societies and other benefit societies would view the Post Office scheme with more favour if they were enabled to reap even the small pecuniary advantage attached to attesting a Post Office insurance proposal. Similarly, officers in Government Departments would likewise be more liable to be favourably influenced if the Postmaster-General had power to pay commission on the introduction of business. This point is exemplified in the result of the "Government Departments" experiment which took place in 1905.

68. Would you like to say something on this point? You think there might be a payment of commission with advantage?—At present it is confined to officers of the Post Office; a proposal can only be attested by an officer of the Post Office, and the commission is only payable to him.

69. On what grounds was that Regulation made?—The Treasury authority; we have the Treasury authority for the payment.

70. (*Mr. Davies.*) It is limited to officers of the Post Office?—Yes.

71–2. (*Chairman.*) Must we ask the Treasury for the reasons for that Regulation, or can you give us those? —It is simple enough; it is only an officer of the Post Office who can attest a signature, and therefore it is only to an officer of the Post Office that the commission can be paid.

73. How could the Postmaster-General take the signature of the secretary of a tontine society or a benefit society, and receive the money and be sure of that officer? He is not his agent; have you thought of how it works?—He would be the agent of the Postmaster-General for the purpose of getting the insurance proposal.

74. You are proposing a general extension? — A limited extension.

75. To any particular class?—Yes, to that class more particularly—the secretaries of societies, officers of Government Departments, and so forth.

76. Will you just explain what you mean when you say: "This point is exemplified in the result of "the Government Departments experiment which took "place in 1905"; will you tell us what that was? —It is rather a lengthy explanation, but it arose out of the action of the Civil Service Provident Society. The Civil Service Provident Society, which started operations in 1904, applied to the Treasury in April of that year for sanction to the proposal that the premiums payable by members to the society should be deducted from salaries and paid over in bulk by each Department. It appeared to the Treasury that the Society was undertaking a class of insurance business which might perhaps be considered to bring it into competition with the Post Office, and inquiry was made as to whether there would be any objection on the part of the Post Office to the grant of the desired facilities on that ground. The reply of the Postmaster-General was to the effect that he would raise no objection to the grant of the facilities sought for, but he urged that if the facilities were allowed, all employees in Government offices wishing to insure through the Post Office should be afforded the same inducement, and that the existence of the arrangement should be made known to the whole Civil Service. Following on this, a Treasury minute was issued authorising the proposed method of payment, but stipulating that the Post Office should be afforded equal facilities by the various Government Departments as regards insurances granted through the Post Office, and that the existence of this arrangement should be brought to the notice of the heads of Departments. Upon the issue of this minute a circular letter was addressed by the Secretary of the Post Office to the heads of various Government Departments asking whether, in furtherance of the scheme sanctioned by the Treasury, they were willing to afford facilities for the system of the Government life insurance to be placed before the officers of their respective Departments. In almost every case a favourable reply was received, and arrangements were made for an officer of the Savings Bank to attend at the Government offices, the object being to get in touch with some person who would be willing to bring the advantages of the Post Office Savings Bank life insurance system personally before his colleagues with a view to obtain proposals. The system affords special advantages to officers who desire to insure for small sums, as it provides for the payment of premiums by deductions from salary or wages with Government security, at rates which would secure greater benefit than could be obtained for similar payments to an industrial company. Representatives were accordingly appointed at the Government Departments from which favourable replies were received, and as a result of the canvass 30 insurance contracts were granted in a very short time. Steps were being taken to extend the scope of the experiments to the Customs outports and to the large naval and military establishments, when the question of the payment of commission to the representatives in the various Government Departments was raised. Authority was given by the Controller under A. and I. Regulation, No. 4 (2), for the payment of commission to the representatives in connection with the grant of the 30 insurance contracts referred to, the payment being made in the first instance to the officer of the Postmaster-General who countersigned the proposals, and who then handed the money to the officers who attested the signatures to the proposals. Owing, however, to the attitude of the Treasury in the matter the canvass came to an end; but there is no doubt that if payment of commission to officers of Government Departments other than the Post Office had been sanctioned the result would have been very satisfactory.

77. (*Mr. Cochrane.*) That is to say that the Regulations were so strict that no one outside the Post Office service was allowed to take a commission?—That is so.

78. And in the instance you give, that was strained to the utmost limits?—Yes.

Mr. W. A. E. Batchelor.

12 Nov. 1907.

79. Was there any reason for restricting the giving of commission upon premiums to the Post Office service?—I do not see why there should be.

80. Would it be an advantage if that privilege of receiving a commission were widely extended?—I think it would be a great advantage.

81. How widely would you extend it?—I should extend it to various classes—schoolmasters, secretaries of societies, and Government Department officials.

82. Would you place any limit upon it; why should not anybody get a commission?—I do not know why anybody should not if he introduced business.

83. Have you any reason for restricting it to any particular class?—It would be very difficult indeed, generally, to pay a commission—to make the actual payments of commission to the general public.

84. Surely it would be more difficult to find out if a man was a schoolmaster than to find out if he introduced the premium?—I do not think it would be very difficult to do that.

85. If you are to limit the class who are to get the commission, you would have to ascertain that an individual coming forward belonged to that class?—Yes.

86. Whereas, if a man comes forward and introduces business to you and say: "Here is the first premium; "I claim a small percentage upon that premium," is there any difficulty in paying it to him?—There is no theoretical difficulty, perhaps, but in practice you must confine business to agents in some way.

87. Why?—It is what every insurance company does.

88. Is there any other valid reason beyond that?—I think it would be rather an unheard-of thing if we were to pay commission to everybody and anybody.

89. Who brought the first premium?—Yes.

90. Does any objection occur to you except custom?—I do not think there would be any insuperable difficulty in paying commission to anybody, and the commissions we pay are very small; the utmost we pay is a 4*s.* commission, and the lowest is 1*s.*

91. But all experience goes to show that the giving of commissions brings business?—Certainly, if the commission is good enough.

92. And you suggest that certain secretaries of tontine societies and other medical societies would view the Post Office scheme with more favour if they were able to reap even a small pecuniary advantage?—Yes.

93. The easier you make the payment of commissions the greater the number of applications you are likely to have?—Yes, certainly.

94. As regards "canvassers," you do not suggest that there should be any special agents or canvassers?—No.

95. What are your reasons for that?—Because of the report of the 1882 Parliamentary Committee, which is quoted in the report of the Spring Rice Departmental Committee of 1893.

96. They reported strongly against the employment of canvassers?—The Spring Rice Departmental Committee in their report quote the observations of the Select Committee of the House of Commons which sat on the subject in 1882, viz.: "Your Committee "have come to the conclusion that it would be "inexpedient for the Post Office to employ agents "either for soliciting business or for house-to-house "collection of premiums. It has been suggested that "letter-carriers might be employed in this way, but "your Committee think this would be undesirable, on "the ground that it would tend to the neglect of the "work for which they are primarily appointed, viz., "the delivery of letters. A suggestion has also been "made for the employment of agents not at present "connected with the Post Office. To this proposal "there is the objection that it would materially add to "the expense. Your Committee, moreover, think that "it would be scarcely expedient for the Government to "attempt to obtain business through personal canvas-"sing. Such solicitation should be left to voluntary "rather than to Government agency."

97. You have read us the report of the 1882 Committee, and your own experience leads you to endorse the opinions in that report?—I will not go so far as to say that; they wanted to stop all agency whatever in 1882.

98. Your own opinion is against the employment of canvassers?—Yes, it is.

99. (*Chairman.*) You say they wanted to stop all agency; is there any agency now?—Only Post Office agency.

100. (*Mr. Turpin.*) The commission you pay ranges from 1*s.* to 4*s.*?—Yes.

101. Is that any rate per cent. on the premium?—No, it is an arbitrary sum fixed on the amount of the policy—1*s.* for sums up to 10*l.*, 2*s.* up to 25*l.*, 3*s.* up to 50*l.*, and 4*s.* for 100*l.*

102. And you only pay that on the first introduction of the business, and not on any renewals?—That is so.

103. If you had these agents in the schools and so on, would you propose to pay them only on the initial introduction of business?—Yes, I should pay them the same commissions as we are paying now.

104. Would they collect the premiums for you at the schools?—I should expect the societies to do so.

105. The one who introduced the business you would expect to collect the premiums afterwards?—The societies; it is more particularly societies it would apply to.

106. Supposing they collected the premiums and did not pay them over?—We should have to look to the society for that.

107. You would not take security from your agents?—No; we collect them now from societies in that way, and we have no security.

108. As regards that proposed extension to the Government Departments of this industrial insurance, the insurance business which you carry on is supposed to be industrial?—No, there is no industrial business.

109. It is supposed to be industrial, and it was established as an industrial business?—It was introduced, I think, to get the better of the industrial business rather, but it is not carried on as an industrial business. It is rather difficult to find any definition for an industrial insurance. The only thing I have been able to rake up is an extract from the Collecting Societies and Industrial Insurance Companies Act, 1896, and that refers to industrial insurance as "a com-"pany receiving contributions or premiums by way of "collectors in the case of industrial insurance com-"panies at less periodical intervals than two months," and "an insurance of 20*l.*" But, as a matter of fact, industrial business is not confined to 20*l.*

110. Your rate of commission does not compare favourably with the industrial insurance companies, does it?—The industrial societies pay 43 per cent. of their total premiums away.

111. You would not compete with them in the way of agency?—We should never compete with them.

112. (*Mr. Hewby.*) The employment of agents was not recommended, I understand, either by the Departmental Committee of 1893 or by the Select Committee of 1882; they both reported against it?—They did not report altogether against it; the 1893 Committee left it open to the Treasury to decide whether schoolmasters should be appointed as agents.

113. The Departmental Committee of 1893 left it open to the Treasury to decide that?—Yes; in their recommendation they said: "Supposing it is decided "on grounds of general policy that schoolmasters and "schoolmistresses should be paid to act as agents, the "Regulations carrying that decision into effect should "include the limitation set forth in this report."

114. "Supposing it should be decided"—but they did not recommend it?—No, it was not recommended, but it appeared under the heading of the "Summary of Recommendations."

115. (*Mr. Brown.*) As you say, the definition of industrial insurance is rather difficult to arrive at; but I suppose you are aware that some of the industrial companies include in their industrial prospectuses

insurances for amounts up to 100*l.*, or even 200*l.*?—I am not aware that they do in their industrial prospectuses.

116. That is so, I believe; but that is only a minor point. As regards the 43 per cent. which you say the industrial companies pay in commission, of course that 43 per cent. includes, does it not, the total expenses of management?—Yes, the total expenses of management.

117. Could you tell us what commission the industrial companies actually pay per policy, or what percentage of the premiums?—They take the whole of the first year's premium, I believe; the industrial company does not get anything at all for the first year, and more than that, I fancy.

118. That is rather different from my information, but mine may not be correct. If that is so, can you tell us how the industrial companies prevent fraud in such a matter?—I do not know that they do.

119. Might not an agent induce somebody to insure, who might lapse after the first year, with the result that the company would be put to loss through the agent receiving the total first year's premium?—I do not know that he is paid in that way; what I mean is that he gets the whole of the first year's premium. I do not mean to say that he keeps it himself in his pocket; it may be paid to him for his services in some other way.

120. In case the payment of a commission in the case of the Post Office became general, how would you prevent loss?—We do not propose to alter the system of payment of premiums; they would still be paid into the Post Office Savings Bank account. The agent would not pay them in.

121. Supposing somebody insured for 5*l.* I suppose he could do that for an annual payment of a very small amount?—A very small amount indeed; it depends upon his age, of course.

122. Perhaps 1*s.* or 2*s.*, at all events?—Yes, under these tables you can insure a life of 21 for 5*l.* for an annual payment of 2*s.*

123. If you paid the person who brought the policy 1*s.* out of that, how would you prevent loss falling upon the Department by the cessation of the policy?—We do not look for the cessation of the policy; we should hope that the policy would be kept on. That is how insurance companies business pays—by policies being kept up. If the policies were surrendered or given up after two years' premiums were paid, there would not be much profit in it.

124. Does not that strike you as possibly being an objection to the indiscriminate payment of commission; I should like to think it is not?—I think not.

125. You do not recommend any higher payment than the one of 4*s.*?—I am proposing a higher limit, and if we had a higher limit we should give a higher payment.

126. I might put it in this way: you do not recommend any higher payment unless the maximum is increased?—That is so.

127. Might I ask, for my own information, what a tontine society is exactly?—I am afraid I cannot explain it. They insure the lives of their members; that is what it comes to.

128. Is it a kind of sharing-out club?—I think they share out.

129. As regards this Civil Service Provident Society of which you spoke, no commissions were payable in respect of that, were they?—I do not know if commissions were payable in respect of it.

130. (*Chairman.*) In respect of any of them, do you mean?—Mr. Brown asked about the Civil Service Provident Society.

131. (*Mr. Brown.*) Possibly I am under a misapprehension, but I understood you to say a little while ago that the Civil Service Provident Society was making great progress in other Government Departments, and that proposals were made that the advantages of insurance through the Government system should also be brought before those Departments, but that to a certain extent the developing of the Government scheme became a failure because no commissions were payable?—Quite so.

132. But no commissions were payable by the Civil Service Provident Society?—I do not know about that.

133. I wanted to know the explanation of the progress of this society, if you could tell us?—How this society acts is, that they insure with the North British and Mercantile, and the North British and Mercantile give them a discount of 15 per cent. on the premiums; they get the 15 per cent. themselves.

134. That is the case with the present Civil Service Insurance Society, but I was not aware that it was so in the case of the Provident Society which insures for 50*l.*?—That is a different thing altogether.

135. I thought that it was that to which you were referring?—No, not necessarily.

136. Are you aware to what extent the Civil Service Provident Society, whose maximum is 50*l.*, has been patronised?—I should think very largely indeed; I have no figures whatever about them, but I should think it is large.

137. There was one thing in connection with this question of insurance in Government Departments; as you told us, the premiums are deducted from the wages or salaries of the insured, and that, of course, reduces the cost and enables the North British and Mercantile to grant the specially favourable terms which you have mentioned?—That is so; it pays them very handsomely, I should think.

138. I want to know whether, if a similar system of deduction from salaries were operative in other Government Departments in connection with the Government system, the cost could be reduced?—If we got sufficient business it could be.

139–40. (*Chairman.*) There is nothing in your evidence about that?—No, except that I quoted the Departmental experiment to show that we could not get along without paying a commission.

141. (*Mr. Brown.*) If premiums are deducted, as they are by the Post Office already, as well as by other Government Departments, the cost of carrying on the Government system of insurance should *pro tanto* be reduced?—If you could get enough insurances.

142. And possibly lower terms might be given?—Certainly if you could get enough.

143. (*Mr. Davies.*) Mr. Cochrane was asking you whether you would suggest the payment of commission to all and sundry for bringing in business. I take it that your real desire is to obtain freedom to pay commission to people other than officers of the Post Office, and that it should be left to the Department to select the classes to whom you would pay commission?—Certainly.

144. So that if the Treasury freed the Post Office from its present limitation, it does not necessarily follow that the Post Office would offer a commission to all and sundry?—No.

145. The Civil Service Provident Society has merely come into this discussion, I take it, because when it was proposed that certain facilities should be afforded to that society in Government Departments, the Post Office claimed that the same facilities should be offered to the Government's own system?—That is so.

146. You do not wish to introduce any comparison between the policy or methods of the Civil Service Provident Society and ourselves?—No.

147. That was simply an occasion on which the Post Office was led to make an experiment?—That is so.

148. And the result of that experiment showed that if we had been able to offer even the modest commission which we are entitled to offer now to people other than servants of the Post Office (confining it still to servants of the Government) we should have done a good deal of business?—We should have done a very big business, I think.

149. I do not think the Committee clearly understand what the Post Office system of commission is?—We pay a commission to the officer who attests the signature on the proposal form; we make one payment,

Mr. W. A. E. Batchelor.

12 Nov. 1907.

and that payment depends on the amount of the insurance or annuity, not on the amount of the purchase money or the premium at all. For an assurance or an annuity of 10*l.* we pay 1*s.*, up to 25*l.* we pay 2*s.*, up to 50*l.* we pay 3*s.*, and for 100*l.* we pay 4*s.*, and that one single payment finishes it.

150. (*Chairman.*) Is that Treasury Regulation interdepartmental or statutory?—It is purely a Treasury Regulation.

151. A departmental Regulation?—Yes.

152. (*Mr. Denman.*) Are you in favour of making the commission payable on the annual premium?—No, I am not.

153. Why?—We cannot afford to do it.

154. At the present premiums?—Yes.

155. Do other companies pay commission on the annual premiums?—They pay commission, I believe (of course I am not speaking as an expert), on the annual premium if it is collected by the agent.

156. You think it is enough for the Government concern to have merely got the first premium, and to trust to the future ones coming in?—That is all we want. We want the proposal, and that is what we pay for—for getting the proposal.

157. Other companies have a different experience?—I could not tell you what the whole system of other companies is, but I doubt very much whether they pay commission after the first premium if the premium is not collected by the agent. I do not think they would go on during the whole of the life insurance paying commission on each premium paid to them.

158. No, but taking the cases in which the premium is collected by the same agent, you still think it would be undesirable that the Post Office should pay any commission?—I think so; after the first our object is to get the insured person himself to put the money in the Post Office Savings Bank.

159. You expressed yourself as opposed to canvassing; on what grounds?—Because of the veto of the Parliamentary Committee of 1882.

160. That is to say, you are opposed to revising the recommendations of that Committee?—In that respect I think so.

161. Why in that respect?—The 1893 Committee did not recommend it—on the contrary, they rather supported the other report.

162. Are you opposed to revising the recommendations of the 1893 Committee?—No.

163. You give it as a reason why you are opposed to canvassers that the two Committees of 1882 and 1893 both opposed them?—They both opposed the system, and they adduced very good reasons, or the 1882 Committee did, and I do not think it would be any use trying to introduce a system of canvassers.

164. Apart from the question of whether it is any use or not, you do not desire it?—No, I do not think so.

165. What reasons, that weighed with the Committee, weigh with you in not desiring the employment of canvassers?—The real primary reason is that if you have canvassers you have to pay them.

166. You are in favour of the payment of a commission, but not enough commission to induce canvassing?—Not to employ an agent solely for the purpose of the business; it has been reported against, and I agree with that recommendation.

167. I suppose the greater number of the canvassers in the insurance world do not devote their whole time to canvassing, but obtain commission on casual business which they introduce?—I suppose so; I suppose, as a matter of fact, everybody takes a commission if they can get it. I think a great many people act as agents to the different companies.

168. In fact, I understand that although you approve of our giving a commission you are opposed to the act of canvassing on the part of anyone?—By special agents.

169. If a postman, for example, were to canvass in the course of his rounds, would you regard that as objectionable?—That is what the Parliamentary Committee of 1882 reported against; they said: "It has been "suggested that letter-carriers might be employed, "but your Committee think this would be undesirable "on the ground that it would tend to the neglect of "the work for which they are primarily appointed, "namely, the delivery of letters." I certainly think he might canvass when not delivering letters, and, as a matter of fact, he is at liberty to do so now.

170. That is to say, you do not object to canvassing on principle?—Certainly not—not by an officer of the Postmaster-General, according to the present Regulations; he is at present authorised to canvass.

171. (*Chairman.*) There is just one question I would like to ask: Do you know any cases in which a life office accepts proposals from anybody and gives a commission if the person himself wishes to become his own agent. You have hinted at, or suggested, that there is an increase in the amount of people who act as agents. Is it practically the case that anybody can become an agent to these companies?—Yes, I think so.

172. Do you think that that fact seriously militates against the Government getting a larger quantity of proposals?—To a certain extent I should think it did.

173. (*Mr. Cochrane.*) The question of agency is largely a question of expense?—It is a very large question of expense if you appoint agents.

174. Do not industrial assurance companies estimate in their tables 50 per cent. for what is called loading—that is to say, the expenses of collection and agency fees?—I should think quite 50 per cent.

175. And actually they pay somewhere from 43 to 45 per cent.?—Yes.

176. The Post Office, on the contrary, pays a very small percentage; could you give us the percentage?—Of loading?

177. Of loading, yes?—There are two sets of tables, one up to 25*l.* and one above 25*l.* The loading for under 25*l.* is 4*d.* for each 5*l.* insured; above 25*l.* it is 5 per cent. loading on the net premium.

178. Therefore the Post Office are able to work cheaply at present, because they do not have the expenses of agency and what is generally known as loading?—That is so.

179. And if they were to go in for canvassers and agents on the same scale as industrial companies they would also have to load and raise their premiums?—They would have to raise them, certainly.

180. If they were to compete with the present industrial companies?—Yes.

181. They would possibly have to raise them to the same percentage, representing about 43 per cent. on the premiums?—Yes.

182. You only suggest a commission on the first premium?—For bringing the proposal—not on the premium.

183. And as regards the case raised where a man insures his life for 5*l.* and pays a premium of 2*s.*, the commission on that would, perhaps, be 1*s.*?—Yes.

184. That is to say, the policy would be taken out for 5*l.*; the premium the man pays is 2*s.*, and the commission for giving the business is 1*s.*?—Yes.

185. That appears to be entirely a loss?—Of course, it would be if the insurance were dropped at once.

186. But the question of the lapse of policies is one that all insurance companies have to face; that is to say, policies taken out for one year where the commission is paid on the first premium?—Yes.

187. The Post Office is only in the same position as any other insurance company?—Yes.

188. They still desire to have business brought to them, because as a rule when a man insures he continues to pay the premium?—Yes.

189. And, therefore, it is an advantage to pay the commission on the first premium to get the business?—Yes.

190. (*Chairman.*) There is just one addition to what Mr. Cochrane has said to you. Do you suggest that it would not raise the loading to the same extent if

Government servants were allowed to act by means of a reduction of their pay roll?—I mean to say we can do that sort of business cheaper than any other, because the collection is done for us.

191. Have you formed any estimate as to what that is? I suppose it is almost impossible to say?—It is impossible to say, because you cannot estimate what numbers you are to have.

192. But it is very distinctly cheaper than any other form?—Yes.

193. Cannot you get any estimate of what that is from the railway friendly societies and the other big employers who deduct, because I should say the railway experience has been that it has not been so much cheaper as people would expect?—Taking the Government Departments who have insured, it is certainly the cheapest way we can collect.

194. It is no doubt cheaper, but is it so much cheaper than outside companies can do?—I have not been into that question.

195. What is your next suggestion?—I think the probationary period should be reduced in cases of insurance without medical examination.

195A. Would that require legislative sanction?—Yes; I have the Act in front of me.

196. Are there any other alterations that do not require legislative sanction?—There are two small alterations in the Regulations that seem desirable. They are quite minor points. Regulation 7 says that in the case of an immediate annuity it may be granted to two or more persons as joint tenants, and made payable during the joint continuance of the lives of such persons. But, as a matter of fact, we do not grant them on more than two joint lives.

197. Do you think you would get business if you could?—No, I do not think so. I am only speaking about the Regulations; that is one of the points on which the Regulations would want alteration. That Regulation applies only to annuities, which we are not discussing at present.

198. What is the other Regulation that requires alteration?—Regulation 15 deals with the grant of insurance to one person on the life of another, but it has been held that it is *ultra vires*, and we do not grant them except in the case of a married woman on the life of her husband.

199. Do you mean *ultra vires* by the Department, or by the law?—By the law.

200. What is your next point?—I think an alteration is desirable as regards "Residence Abroad."

201. Will you explain that?—At present we can charge an extra premium for residence in the tropics; but after the insurance has been in force five years and the insured person is 30 years of age, he can have a world-wide licence. I think the principle of a world-wide licence should be extended to all cases.

202. (*Mr. Turpin.*) It is simply to bring your practice into conformity with other insurance companies?—Most insurance companies give it now.

203. (*Mr. Cochrane.*) The extra premium they pay is extremely small and does not pay for collection?—That is so in some cases.

204. (*Chairman.*) You suggest that in view of the experience of the Department, and the modern tendency in regard to the question of residence abroad, insurance contracts granted after medical examination should be made "world-wide" in their application, *i.e.*, free of all restrictions as to travel?—Yes.

205. Is the effect of the Regulation at present very limited?—Yes, not more than 15 insurants are paying extra premiums in respect of residence abroad.

206. What are the amounts of the extra charges?—An extra annual premium of 2*d.* charged in one case for residence in India, and in another case an extra premium of 3*d.* for residence in Rio de Janeiro. In many other cases the cost of assessment and collection exceeds the amount of the extra premium. The insertion and the wording of the proviso in the contract is a formidable looking threat calculated to deter the recommendation of the Post Office system to a third person.

206A. I do not quite follow the argument in that, I confess. The argument is that it costs more to collect these abroad?—No. The process of collecting the extra premiums is that the Post Office have first to go to the National Debt Office to get the amount assessed actuarially, and then we have to collect it. The papers come back to us and we have to collect it, in one case 2*d.* and in another 3*d.*

207. That is to say, you do not charge enough for it really?—It is not worth while; there are only 15 out of our 13,000 insurants who are liable.

208. Your recommendation is, that this Regulation should be abolished?—Yes, my recommendation is that the Regulation should be abolished.

209. (*Mr. Davies.*) Your point is that so long as this provision that the Postmaster-General may charge more for residence in the tropics stands in the Regulations, it must be printed in the contract?—It must be printed in the contract.

210. And whether it is enforced or not, this appears in the contract as a formidable looking threat, which deters people from recommending others to insure with the Post Office; they feel that the Post Office is cumbered up with all sorts of extra liabilities?—Yes.

211. (*Mr. Brown.*) Have you many soldiers and sailors insured?—A certain quantity of soldiers and sailors, and we insure them at the ordinary rates.

212. And you do not think the fact that we might have a larger than the usual proportion of people who go abroad would affect this question?—I do not think so; the number of soldiers and sailors we have on our books is not sufficient to affect it in any way. I do not anticipate that the army will come rushing in because we abolish this Regulation.

213. (*Mr. Denman.*) May I ask why you charge an extra premium of 3*d.* for residence in the tropics?—It is the exact actuarial proportion, I suppose, on the ordinary premium; it is a very heavy loading really. It is assessed by the National Debt Office, and I do not know what system they use there; it is a very large proportion of the ordinary premium; but it does not pay us to collect that 3*d.*

214. It is within your power to charge or not to charge that premium?—It is within the power of the National Debt Commissioners.

215. The Postmaster-General? — It is invariably referred to the National Debt Commissioners.

216. Why is that done? The Regulation is perfectly definite: "If the insured person goes within "30 degrees north of the Equator he shall give notice "to the Postmaster-General, and the Postmaster-"General shall, if he think fit, require the policy "holder to pay such premiums," &c. You are obviously responsible for putting the thing before the National Debt Commissioners at all?—Yes, we are.

217. If you object to referring any given case to the National Debt Commissioners, why do you do it?—I think we are bound to do it.

218. What meaning do you give to the phrase "if he think fit" in the Regulation?—He is merely the agent to the Commissioners, and the Commissioners can charge it if they like; it is the wording of the Regulation more than anything else you take exception to.

219. I do not take exception to it at all; I admire it, but I attach some meaning to the words "if he think fit." It seems to me clear from the Regulation that the Postmaster-General is not obliged to refer these things to the National Debt Commissioners unless he likes?—According to the wording of that Regulation I take it he could do it on his own, but he never has done it on his own.

220. But you propose that he should begin now?—I do not. Might I be allowed to say, sir, that you have not the contract in front of you, and I ought to have brought the contract here to show you these provisoes. These provisoes are at the bottom of the contract, and they make it look rather a formidable document.

221. (*Mr. Brown.*) Would you wish notice still to be given?—Certainly, we want notice, because we have to arrange in connection with the collection of the premiums.

Mr. W. A. E. Batchelor.

12 Nov. 1907.

222. That is the only thing that the Regulation makes compulsory?

223. (*Chairman.*) Have you any other charges to suggest?—Yes, I think that in view of the attitude adopted by the National Debt Commissioners (in accordance with the special Regulations laid down by the Treasury) with regard to the payment of insurances in the event of suicide, the Regulation on that subject (24) might be modified or dispensed with. Since 1884 there has been one case only of suicide in which the full amount insured has not been paid, and in that case the amount of the premiums paid (three in number) was returned. The total number of deaths from suicide has been very small, and there is no reason to suppose that the removal of the proviso would increase the number of suicides amongst the Post Office insurants.

224. Is that another Regulation which you desire to ask the Treasury, if they can, to consider?—Yes.

225. (*Chairman.*) What is your next suggestion?—I think that in the case of insurances not exceeding 50*l.* the Department should have power to pay a nominee immediately upon proof of title, as is done in the case of the Civil Service Provident Society.

226. Will you please explain that to us?—The insurance money on the death of an insured person is treated in precisely the same way as deposits in the Savings Bank Department—that is to say, it is credited to the deceased's savings bank account, and is paid over according to the Regulations which prevail with regard to deceased depositors. One of these Regulations is that a depositor can nominate a person to receive deposits up to 100*l.* at death; and another is that he can nominate a person to receive insurance money to the extent of 100*l.*, which is, of course, the fullest extent. The Post Office Savings Bank Regulation which deals with the money of deceased depositors says that if the total effects of the deceased exceed 100*l.*, no payment from the deposits (although the deposits or the insurance may be very small) shall be made until a certificate has been obtained from the Estate Duty Office that any duty which may be payable has been paid; that is to say, we cannot pay immediately, and the people have to wait until we obtain the certificate. It may be months before they get the money.

227. It may be months before a man gets his money out of the office?—Yes, because of the necessity for the production of this certificate.

228. How is it that the Civil Service Provident Society do that?—Because they have formed themselves into a specially authorised provident society under the Friendly Societies Acts, and have registered themselves with the Registrar of Friendly Societies, and they are able to pay 50*l.* straight away upon the death.

229. You wish the Government to be put in the same position?—I do.

230. I do not know what the Civil Service Provident Society is. Is it a friendly society registered which does its business as well as you?—It was brought out in connection with the Civil Service Insurance Company, which insures through the North British and Mercantile, and they formed the society solely and wholly for the purpose of being able to pay 50*l.*, the sum insured, immediately at the death—at the time it is most required. That would require an alteration in the Savings Bank Regulations; not in the Annuity and Insurance Regulations.

231. (*Mr. Davies.*) But it would not require legislation to alter either?—No.

232. To this extent really the Post Office insurance suffers by its connection with the Savings Bank, because the insurance becomes lumped in with the total in the Savings Bank?—To a certain extent it does.

233. And you would wish the insurance money to be treated separately from any other balance in the account?—To the extent of 50*l.* of the insurance money.

234. (*Mr. Cochrane.*) That is a matter for arrangement with the Inland Revenue, is it not?—To a great extent.

235. (*Chairman.*) We might leave that for the moment. Have you anything further to say?—In any revision of the Regulations various other points will possibly arise, but it may be remarked that it is not an easy task to carry on insurance business strictly under Regulation, and that the more latitude allowed to the experienced officers engaged in the work the better results will be obtained. A Regulation may be a very excellent servant but an intolerable master.

236. I suppose that is what we all feel in carrying on business; that means that you want to get as reasonable a rope as you can for carrying it on as a business?—Yes. I feel, however, bound to express my opinion that no alteration in the existing system will attain the object at which the system aims and cover the ground now occupied by what is termed industrial assurance. Any benefits accruing under an improved system would be taken advantage of by the classes who at present insure through this Department and not by the industrial classes as a whole. The working man will not go out of his way to insure his life, but requires an agent to do so for him and to collect his weekly premiums. The Post Office system has been taken advantage of by working men as a whole only in the cases where insurances have been effected through the medium of societies which have collected the premiums and paid them over to this Department, and in my judgment it is in this direction we must look for any marked development of the system of insurance through the Post Office Savings Bank. That it would be to the interest of the working classes to insure through the Post Office is evident from a glance at the accompanying table.

237. May I ask you one or two questions upon that. First, is it your view that no alteration in the existing system will attain the object at which the system aims? I did not quite understand what that meant?—I think the system aims at covering the ground covered by industrial insurance companies.

238. That is to say, you do not think a State system can compete with a private system?—I do not think there is any possibility of its competing at present.

239. You think the industrial classes as a whole would not take advantage of the Government insurance?—I think so.

240. Is that because the working man will not go out of his way to insure his life?—That is a known fact.

241. Is it also possibly due to the fact that the companies make it easier to pay at shorter intervals?—That is a question of expense.

242. Have you ever looked at the question of insurance in Italy?—No.

243. Have you any figures to show how many individual working men take advantage of your assurance?—Yes, that is shown in a table I hand in, showing the percentage of insurers belonging to the different classes.

244. What is the number of working men?—641.

245. That is a very small total, 641?—That is during one year, 1906.

246. (*Mr. Cochrane.*) It compares very favourably with similar offices who do not employ agents?—Yes, very favourably; I have the statistics.

247. (*Chairman.*) You also hand in a statement showing the amount of insurance which can be secured at various dates by the payment of 3*d.* per week. As I understand you, the Post Office does not accept 3*d.* per week?—It will not accept it in the shape of a single premium; it will accept it in the form of deposits, but it will only collect it once a year.

248. All of us must have noticed in ordinary life that a working man's budget is made up on a weekly basis?—Yes.

249. Do you see no method by which the Post Office can deal with that profitably?—Except by the existing system by which persons can save as little as a penny at a time by means of the stamp deposit system. I do not see any other system by which they could at all.

250. Do you have any means by which a man can pay in 3*d.* a week for his insurance?—He can save up 12 stamps and pay them in as a deposit.

251. Have you any arrangement by which that can be done at an ordinary post office?—It can be done at any post office.

252. Why does that entail a greater expense if done weekly than if put off?—We can only collect it annually; that is why our tables compare so favourably with the industrial companies, because they are based on the annual premium.

253. Have you any means by which, if a man fails to pay in his weekly premium, he can be held down to his bargain?—I am afraid not.

254. The surrender value of his policy cannot be made use of in any form or shape?—Not at present.

255. Do you suggest that as a possibility?—Yes.

256. With regard to this statement of the amount of insurance, which struck me very much when I read it, have you ever had a little table of that sort made as an advertisement—a simple table of that sort, because it is much the most striking thing in the literature you have provided us with?—Yes, we have had it printed and circulated amongst Post Office people.

257. Apparently the Post Office give benefits which are quite incomparably better than any of the companies; and I am perfectly certain, if I may venture to say so, that a great quantity of working men do not know that?—I think it is very likely. Of course the whole thing is that it is not 3*d.* a week; it is 13*s.* a year.

258. In the yearly statistics of business what do you mean by "Post Office canvass"? I notice in the year 1872 and in the year 1894 there are very great increases in amount?—Yes, we issued special notices to post offices in some cases.

259. I suppose it was an advertisement canvass?—Not necessarily; for instance, a great deal of it was done in the London offices—an officer of the Accountant-General's office went round personally, and an officer of the Savings Bank Department went round personally amongst the staff.

260. An internal canvass?—Yes.

261. Why in that case does it not show the same result in 1899 and 1905?—It may not have been so exhaustive a canvass, or there may not have been enough of them.

262. The result of some of them is very remarkable; in 1872 it is very remarkable, and in 1892 it is very remarkable, because you see it rose from 28,000*l.* to 80,000*l.*?—Yes.

263. What makes the North British and Mercantile do such an enormous business amongst Post Office servants compared with the others?—It is the Civil Service Insurance Society who have all their policies there.

264. That "4,600," the number of policies granted in that year, applies to them?—Yes.

265. (*Mr. Denman.*) You said that the object of the Post Office insurance system is to provide insurance for the working classes?—I do not know that I went so far as to say that.

266. What do you take to be the objects of the Post Office insurance business?—I think it was started originally because we could not get an insurance for 100*l.* and lower at any reasonable rate.

267. Simply to take the small insurances?—To take those where the ground was not covered at all by other insurances.

268. Should you say that ground was covered now?—I should say that the ground is very well covered; there is still room for us.

269. In saying "room for us," do you think it is necessary for the Post Office to squeeze to create the room, or do you think it is there by nature?—I should say the fact that we do so much business as we do shows that we supply a want; a certain class will come to us—they believe in the Post Office, and they come to the Post Office.

270. What nature of want do you think we fulfil? Is it the want of Government security?—It is those who want Government security, and those who want an easy way of paying premiums.

271. The advantages of payment through the Savings Bank?—Yes, all they have to do is to go to any post office and pay it in; whereas if they were in an insurance company the insurance agent would come round to collect the premium, which would make the expense very much greater; or they would have to send a cheque to the office of the insurance company.

272. So that in making suggestions for encouraging our present system you would look for those steps to be taken that would help the Post Office Savings Bank depositors primarily?—I think so.

273. You think that is really our field?—At present I think so.

274. Do you desire to extend the field in other directions?—We have so many million depositors that I think we should do a good insurance business without going outside.

275. You do not know of any field outside you could really go to?—No. We evidently supply a want from the fact that we granted 641 policies last year, and our average number of policies for the last five years has been 643, whilst the average of the four companies which do not pay commission has been as follows:—Clergy Mutual, 500; Equitable Life, 260; London Life, 247; and Metropolitan, 180.

276. Theirs is a different style of business, is it not?—Entirely; but the fact remains that we grant an average of 643, and the Metropolitan, which is the lowest, has an average of 180.

277-8. It is noticeable, however, that our average output of fresh policies has decreased in the last five years?—It has.

279. Do you find that the people who insure really come pretty much of their own accord?—Those who come to us do it entirely of their own accord; there is no way of getting them in. It is entirely voluntary on their part.

280. It does represent a real need?—It represents their own wishes; nobody says a word to them. All they get is a pamphlet we issue.

281. (*Chairman.*) May I ask one question upon that. Do you think that there are any of your insurers who desire to have the credit of the State behind them?—Certainly; that is what we put forward as the first advantage.

282. But in actual fact you think there are cases where a man says: "Well, although I pay it a little "more inconveniently, I want the credit of the British "nation behind me." Do you think that comes consciously to any man?—Yes, I think so.

283. You have no evidence upon that point?—No.

284. (*Mr. Denman.*) What ground have you for thinking that we ought to increase or change our present facilities?—Because we have come to a standstill apparently from the figures which you see; they have not been increasing lately, and I think we should bring our methods more up to date. If we are going to do a business we might as well do it in a businesslike way.

285. For what class do you think we should then cater?—For the class which comes to us now; we would increase the number of that class.

286. Who at present insure elsewhere, do you think, or do not insure at all?—Who do not insure at all, I should say.

287. The amount of each individual policy has been steadily decreasing, has it not?—It has been, and I take it that is rather a favourable sign in some ways—not from the insurance point of view. It means we are getting a smaller class of people, touching more on the industrial class. From that point of view only I meant "favourable."

288. You have not put in any return as to the numbers of policies at different values. Are there a large number of 5*l.* policies, for example, which bring down the average?—The reason why we had a reduction

Mr. W. A. E. Batchelor.

12 Nov. 1907.

of the amount last year was because we got two tontine societies, all small amounts, 5*l*., 8*l*., and 10*l*. I have a statement showing as regards the years 1901 to 1906 the numbers of insurances granted for amounts under 25*l*., and for amounts of 25*l*. and over; the number of insurances granted under 25*l*. was 1,024, and the number over, 3,109.

289. For what period was that?—The five years from 1901 to 1906.

290. Were there many up to the limit of 100*l*.?—Yes, a very considerable proportion indeed; I have another table which shows that, out of 422 granted to the general public, 161 were for 100*l*. The others were granted under Regulation 45, which is the Regulation by which we can take them from friendly societies, and out of 219 there were only 18 for 100*l*.

291. Will you put in the returns from which you are quoting?—Yes.

292. I think it is clear that the person who wants to take out an insurance for 100*l*. can do it more profitably from any outside company?—Not necessarily; I think you will find that for some ages and under some conditions we grant them cheaper than the companies.

293. For 100*l*.?—Yes.

294. Perhaps you would put in a small table of selected offices just to show the comparative figures?—I do not think it is any use doing that, because they vary so much; you will find as the age increases our premiums increase, and that is entirely due to the different system of loading we have compared with the insurance companies, and you cannot make any effective comparison of them.

295. But, speaking generally, you say that our premium is a fair competitive one in the open market?—For the earlier ages; as you get to the later ages, owing to our system of loading, our premiums get very much heavier.

296. That is capable of being reformed, I suppose?—The loading is certainly capable of readjustment.

297. Of course the "with profit" policies on the ordinary estimates of profit that the companies produce are much more profitable to the insurers than anything we can give them under our present system?—We do not offer them any.

298. No, but our non-profit system at the premium is not so valuable to the insurant as the ordinary companies' "with profit" scheme at their higher premium?—Of course, he has to pay a much higher premium.

299. Have you gone into comparisons of those?—No.

300. Really you are in favour of the Post Office competing in the open market against other insurance companies?—Yes, decidedly.

301. You do not agree with the principle that where a field is pretty well covered by private enterprise the Department should not interfere?—I think it is very necessary indeed that the Government should conduct insurance business to keep down the rates.

302. Do you think the Companies fear the competition of the Post Office, and that but for that they would put them up?—I do not say they would put them up, but I think it has a certain effect in keeping them down.

303. (*Mr. Davies.*) You say, I think, that the Post Office has only got at working men as a whole through the medium of societies which have collected the premiums and paid them over to the Department, and that in your opinion it is in that direction that we must look for any marked development of industrial insurance through the Post Office. Are there any special difficulties which prevent the Post Office developing its insurance business in that direction?—Not at all; it is the direction in which I think it can be developed.

304. Have you any evidence that you can give the Committee which will show what it is possible to do through the medium of societies? Have you any recent experience?—We had at the end of last year a society which brought us in 104 insurances. First of all there are 2,400 policies in the Post Office and the Government Departments, and from benefit societies and tontine societies we have a total of 312. These, of course, are all for small amounts.

305. Do you think that there is a disposition on the part of small societies to embrace Government facilities for insuring their members if those facilities are made easy for them?—If they were given what they wanted.

306. What do they mainly want?—They generally require policies to be granted to them, and we cannot grant the policies at present to the society; we can only grant to the individual.

307. These societies want a policy on the life of the member granted to the society?—Yes, I take it that is what they generally would want; of course, we have never had any experience of it because they have our Regulations, and they have to act according to them.

308. But we have a direct policy for each member at present?—Yes.

309. And the society collects the premiums at any interval it pleases, and pays the grand total over to the savings bank at present?—Yes.

310. Is it necessary that the rules of the society should explain clearly what they are doing in connection with insurances of that character?—I have seen some rules which explain it, and which have not been registered by the Registrar of Friendly Societies, and some which do not explain it which have been registered.

311. Have you had any cases in which the members were ready to insure in the Post Office, but the thing fell through on account of difficulties with the Registrar of Friendly Societies?—We had a case where we actually insured the whole of the 104 members of the society, and, owing to some difficulty with the Registrar of Friendly Societies, they had to drop the insurance, or they say they will drop it.

312. (*Chairman.*) You have not put that in your recommendations?—No.

313. (*Mr. Davies.*) These 104 members of the friendly society, whose arrangements with the Post Office for a certain policy were all completed, are giving up their insurances because of certain difficulties which have arisen between the friendly society and the Registrar in regard to their rules?—Yes.

314. Would it be possible to tell the Committee briefly, or to give us a memorandum, so that we could ask questions of the Registrar of Friendly Societies here on that subject?—Yes, I could very well do so.

315. Very briefly, can you say what the difficulty was in this particular case; could you summarise it?—It is rather difficult to do so, because the fact is that they got very tired of corresponding with the Registrar; they drew up their rules badly and made their references to the insurance very vague. The Assistant Registrar who got hold of it could not understand it, and they got tired of papers going backwards and forwards to the society. There are generally an ignorant lot of men in these societies, and ultimately they got so tired of the whole process that, although we went to the society and offered to draw up their rules for them, they decided to abandon the insurance because of the trouble of getting the rules registered.

316. It is possible really that, with a little assistance, which the Registrar of Friendly Societies would no doubt be ready to lend, many more of these people could be brought into the Post Office net?—Yes.

317. (*Mr. Brown.*) When you say "no alteration in "the existing system will attain the object at which "the system aims and cover the ground now occupied "by what is termed industrial insurance," I rather gathered from what you said later that it is not so much that the State cannot successfully compete with the existing organisations as that the State, without canvassing and collection, cannot do so?—Quite so.

318. And you told us before that you were not in favour of canvassing and collection. The classes you at present insure, insure in very small numbers; but such as do insure represent, I suppose, the cream of the working classes, you would say?—Yes, I should take them to be so.

319. Do you not think that with the increase of education we might expect that the number of intelligent

men among the working classes who are capable of appreciating the advantages which the Post Office offers, as compared with other organisations, ought to be pretty large?—Yes.

320. You say that a working man will not go out of his way to insure his life, but requires an agent to do so for him and to collect his weekly premiums. Do you not think that if the advantages of the Post Office system were more clearly brought before these intelligent working men of whom we have been speaking, that broad statement would cease to be accurate?—Not as a broad statement—I do not think it would.

321. Do you think that the fact that the Post Office benefits only accrue after the payment of a whole year's premium has anything to do with the non-success of the Post Office system?—I do not quite follow you.

322. In an industrial company, quarter benefit arises after payment of the first weekly premium even, half benefit, I suppose, after the payment of a quarter's premium, and full benefit after the payment of half a year's premium?—I think you do not get the full benefit in some industrial societies until 10 years' premiums have been paid.

323. That, perhaps, means that they get 10*s.* more than the original amount of the policy; but for all practical purposes they get full benefit after the payment of six months' premium, do they not?—I could not say, but I dare say that is so. I am not contradicting you in any way.

324. Do you not think that it would help the Post Office system if you could give benefits somewhat sooner than you do?—We give the benefit immediately the policy is issued.

325. Yes; but a full year's premium must be paid?—Yes; that is the whole top and bottom of the system. It is the only way in which we can bring them in at those rates.

326. Have you ground for that statement that we could not give a proportionate benefit, say, a quarter of the benefit, after the payment of a quarter's premium?—We cannot issue a policy until we have had a whole year's premium.

327. I know you cannot at present, but would it not benefit the Post Office system if you could do it?—I do not see that—not under the present system; we come again to the whole question of the annual rate. It is the difference of the rate which makes the whole difference, taking it annually and collecting it in instalments.

328. That is a question I also wanted to ask. Do I understand that the cost of the system is based upon one single transaction, and that out of the expenses of the Savings Bank comes the cost of dealing with the contributions which are made from time to time?—We have an allowance from the National Debt Office for doing the business.

329. Could you briefly explain the way in which the cost is assessed?—Yes. We started from 1884 with the old series and we got 2*s.* per annum for our old series contract; we get 3*s.* 6*d.* for each new contract we grant, and we get 2½*d.* for each transaction.

330. What does "each transaction" mean?—Each premium received or payment made.

331. May I take a concrete case. Suppose I take out a policy, and in order to do so I initiate a Savings Bank account, and suppose I pay in my Savings Bank money in small deposits; every time my shilling is paid in a certain cost is incurred by the Savings Bank, I take it?—That is so.

332. Could you tell us what that cost would be?—I believe the average cost of each Savings Bank transaction, although it has not much to do with me personally at present, is 5*d.* decimal something.

333. What would be the whole cost of collecting my premium in the course of the year? Would it be 5*d.* and a fraction multiplied by the number of deposits?—That is the average; we work it out to an average, but it does not go for anything.

334. What would you get from the National Debt Commissioners by way of compensation for the transaction?—I have already explained the allowances we get; we should get nothing for the deposits at all.

335. I secured *these tables* from a post office the other day; is that the table which would naturally come into the hands of a person who wished to insure (*showing the same to the witness*)?—It is one of them, but we have an explanatory pamphlet, and we send that out with it.

Mr. W. A. E. Batchelor.

12 Nov. 1907.

336. Do you not think that these might be put in a more attractive form?—Certainly, if you give us some money to do it with, we will be only too pleased.

337. Would it not appeal more to the working classes if the premiums were specified as so much per week instead of the annual amount?—I am afraid they would say we were misleading them; we could not say they amounted to so much per week.

338. You have told us they can be paid weekly if the insurer has sufficient method to do it?—Yes.

339. (*Chairman.*) With regard to that 5½*d.* average you have spoken of, averages are most dangerous things; but do you get charged 5½*d.* for each transaction?—No, it comes in the ordinary way of deposit; the theory is that the man has an account and we deduct his premiums annually; he is supposed to be a depositor and has an account with some pounds in it, and we take what we want each year without troubling him.

340. I am now considering the cost of the individual transaction which Mr. Brown is asking about?—Mr. Brown is asking about the deposits, and that does not affect us from the insurance point of view.

341. Can we get any closer to what the cost of a transaction is?—As to those threepences we were speaking about paid in by sticking in stamps, the Postmaster-General would not reckon each of these a transaction costing 5½*d.*, would he?—Each shilling would be.

342. (*Mr. Brown.*) I quite recognise that in many cases the combination of the insurance transactions with the Savings Bank deposit is of advantage, but do you not think that in some cases it is rather an awkward method of insurance? To explain my meaning more fully, do you not think that in some cases a working man would be more likely to adopt this method of insurance if he had not first to establish a Savings Bank account?—That is going back on the whole question of annual premiums.

343. I do not quite see that it necessarily involves that, but I am quite willing to go back upon that?—Of course, the whole system is based upon the payments being made through the Post Office Savings Bank.

344. At present it is; would it not contribute to the success of the system if that were not so?—How would you do with the accounting? It was taken up by the Post Office Savings Bank on purpose to save expense, and as a proof of that all the premiums on the old contracts are charged to the extent of 4*s.* 10*d.* for expenses, whereas the present ones are charged 1*s.* 11*d.* That is the difference in the two systems.

345. I think linking it up with the Savings Bank may be beneficial in the majority of cases; but why should we retain this system in every case, if it should be found that another system might be more advantageous?—If you were to find another system more advantageous by all means adopt the other system.

346. (*Chairman.*) Do you know of any other system?—No.

347. (*Mr. Brown.*) I should like to ask you something definite upon this point. Suppose it were possible for a man to have a special insurance book with spaces for weekly payments which would be represented by means of stamps, would there be anything disadvantageous if he were able to go weekly to the post office and buy a stamp of the proper amount to place in one of the spaces, and, if at the end of a quarter, say, the perforated sheet could be detached and sent up to headquarters, and that became a quarterly transaction, which would merely involve an acknowledgment, I take it, from headquarters. Would you see any grave objection to an arrangement of that kind?—I cannot see any advantage.

348. Except that it does not involve the establishment of a Savings Bank account and the formalities connected therewith?—The establishment of a Savings Bank account was introduced in order to save expense, and, as I say, it has saved expense. When the old

Mr. W. A. E. Batchelor.

12 Nov. 1907.

system was in force the man had a special book, and he paid his premiums as arranged monthly or even fortnightly, and he went to the post office and got the book stamped, and then it was made a matter of account between the Post Office and the Accountant-General. We avoid all that by having the Savings Bank account; we have simplified the machinery, and that is where the saving has come in.

349. As regards publicity, a house-to-house distribution of literature has never been made generally, has it?—Not all over the United Kingdom; it has been made in certain towns, and I have evidence upon that point, which I can produce.

350. It cost 40*l.* in the case of three towns, did it not?—Yes, 40*l.*

351. Could you tell us how the expense was arrived at?—I could not at the present time; this is only extracted from the old records, but I could find out for you.

352. Do you think any advantage would be derived without disproportionate cost from a general distribution of a suitable circular from time to time?

353. (*Mr. Davies.*) Do you think everything possible has been done in the way of distribution of literature?—Everything has been done in the past; distribution is a question of expense, and we have not much money to go upon.

354. (*Mr. Hewby.*) Do you know whether a large proportion of your policies are allowed to lapse?—Not a very large proportion, I should say, but a good many of them are surrendered.

355. Do you know how your business compares in that respect with private insurance companies?—No, I have no statistics of that sort; I do not think we can get at them. All we could find out about the insurance companies we have got out of the Board of Trade Returns, and that is the only source we have got.

356. Has it been noticed that, after the special efforts which have been made in certain years to rake in more business, the policies have lapsed or been surrendered in large numbers in subsequent years?—To a certain extent; it depends upon the class we have insured.

357. That, I suppose, would be a risk in making these special efforts—that the enthusiasm for insuring would only be temporary?—Yes, it depends upon circumstances; the class where that has occurred is where we have insured telegraph messengers and they have left the service and have been unable to keep up the premiums. Those we have lost a good many of.

358. (*Chairman.*) There is just one question I want to ask you about the soldiers and sailors: have you ever done anything in that way?—No, we have never done anything special in that way.

359. Is their wage too low to help them, or do you not have any applications from colonels of regiments?—No, I do not think we have ever had any application.

360. Nor have you taken any steps?—No special steps; of course, they are hazardous lives, and we do not charge them any extra premium for being soldiers and sailors.

361. Do you mean that you do not want the business?—I do not know; it is rather a risky business insuring only soldiers or only sailors.

(*After a short adjournment.*)

362. (*Chairman.*) We will now come to the suggestions that require fresh legislative enactments. What is your first?—My first suggestion is that the maximum limit of insurance should be raised. The proposal to raise the maximum limit is not new. On the contrary, the question has been present since the inception of the business when the limit was fixed at 100*l.*, in deference to the views of certain insurance companies. Efforts have been made from time to time to raise the limit, and a Government Bill presented to Parliament in 1873 proposed to raise the limit to 500*l.*, but this Bill was dropped. The Select Committee of 1882 were of opinion that the low maximum was the chief cause of the failure of the system, and recommended that the limit should be raised to 200*l.*, in order to give effect to the other recommendations made. The Bill of 1882 provided for a maximum of 200*l.*, but the subsequent Act left it at 100*l.*, this being the only recommendation of the Committee which was not sanctioned. There can be no doubt but that the low maximum limit restricts the business considerably. Many persons who insure for an amount in the Post Office require sooner or later a larger insurance, and the limit of 100*l.* tends to the surrender of the Post Office insurance and to insurance protection being obtained elsewhere. For the same reason numbers of persons are induced to insure in the first place outside the Post Office. In the words of Mr. Scudamore (3rd February 1873), "the restriction "of the upper limit to 100*l.* is very unfortunate for the "Government. It is a very serious obstruction to "business," and the very cogent reasons adduced by him in support of his opinion can still be urged, with the experience of 34 more years to emphasise them. The life insurance limit under the Friendly Societies Act, 1875, is 200*l.*, and the Post Office should at least be in as favourable a position. The maximum death payment provided under the Workmen's Compensation Act, 1906, is 300*l.*

363. Do you say that 200*l.* is the least, or do you recommend 300*l.*?—In my opinion 200*l.* is the least.

364. You would like 200*l.*, and as much more as you could get?—Up to a certain limit. I should suggest 500*l.*

365. (*Mr. Turpin.*) You have no other reason for fixing the new maximum limit of 200*l.*?—No, my reason for that is only because you can go to friendly societies for 200*l.*

366. Is there not another good reason, that the 100*l.* would not buy an endowment insurance at 65 equal to an old age pension?—Yes, I think that is a very good reason.

367. It would only buy about 10*l.* a year at 65?—Yes.

368. So that you would have to go to the limit of 200*l.* to get the minimum for an old age pension, viz., 5*s.* a week?—Yes, I think it should be at least 200*l.*

369. (*Mr. Hewby.*) Would raising the maximum limit have the effect of changing the character of the business much, do you think?—I do not think so; I think the same people would insure for 500*l.* The lower middle class come to us now for 100*l.*, and I think they would come to us for 500*l.* if we offered them decent terms.

370. You do not think a large proportion of those who at present insure would not increase their insurances?—I think we should get a certain proportionate number of those already insured who would increase their insurances; we have applications frequently from people to increase their insurances now.

371. (*Chairman.*) Do they ever withdraw in consequence of your inability to supply them?—Yes, I think when they find they cannot insure for more than 100*l.* with us, they go to an ordinary company for what they want, and then take their surrender value.

372. (*Mr. Brown.*) Of course it would not be in harmony with the objects for which the Government insurance system was established that you should have so high a limit as 500*l.*?—I do not know what those objects were quite.

373. I think, in introducing the Bill of 1864, Mr. Gladstone had in mind the benefit of the working classes in particular, and so large a maximum as 500*l.* would be unnecessary in order to attain that object?—Yes.

374. I only wanted to bring out that it was rather a new departure?—But there has been a Bill already prepared in 1873 for increasing the limit to 500*l.*, and it was dropped in consequence of the opposition of the insurance companies. Each Committee has recommended that the limit should be raised to 200*l.*

375. (*Mr. Davies.*) As a matter of fact, have you ever been asked for as high an insurance as 500*l.*?—I received a letter this morning from a clergyman in Ireland, who wants to insure for a sum of 500*l.* or 600*l.*

376. That is a recent instance?—Yes, this morning. *Here* is another one, not quite so recent, who wants 1,000*l.* and profits.

377. And it is a matter of frequent experience that those insured for 100*l.* want to insure for additional amounts?—Yes.

378. From that it is quite reasonable to infer that a good deal more business would come to us if we were able to take it; we have to refuse a fair quantity?—We refuse a fair quantity now, and of course a great many people see our publications and know that we cannot grant more than 100*l.*, and do not come to us.

379. If any steps could be taken to develop the lower insurances of friendly societies and others, some increase of the higher insurance would be necessary to prevent loss under the present system of loading?—Under the present system of loading some increase would certainly be necessary.

380. (*Mr. Denman.*) You recommend an increase of limit, amongst other reasons, because the conduct of business, as a whole, would be more economical?—We should have more money for the expenses of management, and we should be able to reduce them; at present we have 5 per cent. loading, and if we had 500*l.* insurances we should not want as much loading as 5 per cent.

381. But it is your intention that every policy, at whatever value, shall be self-supporting?—At the present time the smaller ones are not self-supporting; I mean, on the law of average again. Taking the present ones up to 25*l.*, there is a charge of 4*d.* loading on every 5*l.*, and 4*d.* does not carry an insurance contract through.

382. (*Chairman.*) What is your next suggestion?—I think a revision and extension of the tables is required. The question of providing fresh tables of rates may be dealt with in a limited manner without further legislation, but a thorough revision of the tables on the lines required will necessitate obtaining fresh powers from Parliament. At present the tables are prepared under section 5 of the Government Annuities Act, 1882, and in 1896 a new set was, in accordance with sub-section 7 of section 5, issued in lieu of the tables of 1884, which were then cancelled under sub-section 8, the new tables being computed under a more favourable mortality table at a reduced rate of interest, and extending the principle of endowment assurance by means of annual premiums to the ages of 55 and 65. Sub-section 9 provides for the disposal of any surplus which may arise, and under this section the benefits of the new rates in 1896 were extended to pre-existing contracts. It is also unquestionably desirable to extend the principle of endowment assurance by means of annual premiums. The present tables provide for payment of insurances at the ages of 55, 60, or 65 (or sooner in the event of death) by means of single or annual premiums, and also provide by means of a single premium for payment after 10, 15, 20, &c., years from the date of contract. There is a distinct demand on the part of the public for tables providing for payment of insurance after 10, 15, 20, &c., years by means of annual premiums. On the other hand, there has been practically no demand for endowment assurance by means of single premiums, the number of such cases annually rarely exceeding two. It may be said, indeed, that insurance by means of single premiums is not popular with the classes at present dealt with by the Post Office. The original idea with which such tables were instituted, viz., the successive purchase of single premium insurances from time to time, has not appealed to savings bank depositors. Numerous applications for insurance beyond the provisions of the present tables are received from time to time in the Department, and much lucrative business has been refused on account of the limitations of the tables. There is also a demand for endowment assurance payable at the age of 50, and a table providing for such insurances by means of annual premiums would supply a distinct need. A further demand exists for tables providing for whole life insurance by means of limited annual premiums. At present there are only two tables providing for such insurances, under which premiums cease at 60, and it is suggested that the principle should be extended and provision made for insurances payable at death after a limited number of premiums, viz., 10, 15, 20, &c., or for premiums to cease at definite ages such as 50, 55, and 65. The Post Office should endeavour to offer people insurance in the form they require, and to this end popular tables should be offered. It cannot be expected that the public will accept insurance in a way not desired.

383. At present you have endowment tables payable at 55, 60, and 65, and you wish to make them payable at 45 or 50?—Yes, I think it is desirable; we frequently have applications for endowment tables payable at 50.

384. That is one of those things that can be done without Parliament?—Yes.

385. And is another of the inter-departmental suggestions?—Yes.

386. (*Mr. Davies.*) There is power for that?—Yes, we could do that.

387-97. At present there are tables under which we can take an annual premium for an endowment policy for a man aged 40 to mature at 55?—Yes.

398. But we have no table under which we can insure a man of 41 to mature at 56?—We have a table, but you have to do it by a single payment for 15 years—41 to 56 would be 15 years, and that can be done now by a single payment.

399. We can take a man of 40, the insurance to mature at 55, and we can insure him at so much a year?—Yes.

400. But a year later, from 41 to 56, we cannot do so?—No.

401. Have we power to do that without further legislation?—Yes.

402. (*Chairman.*) In the first place you have explained to the Committee what you want in a way that involves inter-departmental change. Is there anything more on the tables that is non-legislative, if I may so put it?—No, nothing occurs to me at the present time.

403. Have you any modification of the tables to suggest that would require legislation?—Yes, I should like to suggest the introduction of a series of "With profits" tables. At the present time the public demand is, before all, for "with profits" policies. From the latest Board of Trade returns available it is shown that nearly 90 per cent. of the total number of ordinary insurances in existence are under "with profits" tables, notwithstanding that the figures include a large number of old insurances effected under non-participating tables. It is estimated that so far as insurance companies are concerned considerably more than 90 per cent. of new business is now arranged under "with profits" tables. The figures as regards the New Zealand Government Life Insurance Department show a still greater disparity. At the 31st December 1905 there were in existence 44,097 "with profits" insurances and only 20 "without profits" policies, In these circumstances it must be admitted that the public demand for "with profits" tables is very real. Many applications and enquiries on the subject have been made to this department. It need not be explained that the "profits" for distribution are largely derived from the increased premium charged under "with profits" tables.

403A. Can you be certain that the "with profits" tables will not involve the Treasury in expense? Could you make such a table as would be acceptable to the investor that is perfectly certain not to produce a loss?—Yes, because you always charge a higher premium.

404. That is to say, the premium you charge will not be made so much below the company charges that it will make a loss instead of a profit? You are clear about that from your point of view, or ought I to ask the actuary that?—Of course it is a question for the actuary.

405. (*Mr. Turpin.*) You do not propose to guarantee a fixed profit?—No.

406. (*Mr. Denman.*) I suppose you would not desire the 5*l.* policies to be issued with profits?—No, certainly not.

407. There would be a minimum limit?—I should certainly have a limit.

408. What limit would you suggest?—Either 20*l.* or 25*l.*

409. You would go as low as that?—Yes; that is what I consider as our industrial part of the business—up to 25*l.*

Mr. W. A. E. Batchelor.

12 Nov. 1907.

410. What sort of a sum would a quinquennial valuation add to a policy of 20*l.*, let us say under an ordinary "with profits" scheme?—That I could not tell you.

411. You think the expenses of the calculations and the working of a "with profits" table would not be excessive for such policies?—No, I think the added premium would more than cover any expense of that sort.

412. (*Chairman.*) You always add the additional premium that the person would be willing to pay, whom you think you could do business with; that is essential, I suppose, for any Post Office scheme?—Yes.

413. (*Mr. Denman.*) I suppose any "with profits" scheme would show up more glaringly the inability of the Post Office to conduct official insurance as profitably as ordinary companies, because of the limitation in the interest on our investments?—That is so at the present rate.

414. In fact, should you say it would be possible to have "with profits" tables in conjunction with investment in Consols only as a practical measure?—No, I do not think so at all, not even with the present price of Consols.

415. So that the recommendation that you make in regard to "with profits" tables must really be taken in conjunction with the further recommendation about the investment of the fund?—Of course if we had to give the "with profits" tables and to keep the money in Consols we could only give the profits which the extra premium derived from the investment.

416. And that would be so small as to make the tables relatively worse?—It would show up our tables more than the present ones do.

417. In fact it would not look as if the Post Office were capable of conducting its insurance on business lines?—Quite so.

418. (*Chairman.*) May I just ask a question upon that? I understand what Mr. Denman has asked you about Consols, but I understood the words of the Act were "Parliamentary securities"?—That is quite right.

419. Which are not Consols; may I ask whether you have made any calculations, or whether investing in Parliamentary securities would enable you to have a "with profits" table?—Yes, certainly. At present it is confined to Parliamentary securities by Act of Parliament, but as a matter of fact it is actually in Consols, and last year the whole earning percentage over the insurance fund was 2*l.* 11*s.* 4*d.* per cent., and our tables are based upon interest at 2*l.* 10*s.* per cent. The Committee of 1893 recommended that steps should be at once taken to obtain securities yielding a higher rate of interest than Consols, and it was laid down that the securities should be guaranteed by the Government. A few of such securities are Local Loans, the Transvaal 3 per cent. guaranteed, and the Egyptian Guaranteed 3 per cent., all realising over 3¼.

420. This will, perhaps, come in best under the Investment question?—It is part of the question, because you cannot alter the tables.

421. (*Mr. Davies.*) You cannot realise anything substantial under the "with profits" system without raising the question we are coming to presently of better investments; but, even with the present investments, might not the Government have had the benefit of offering the people who insure with it some participation in the surplus? We know that 30,000*l.* of Consols were cancelled as part of the profits some time ago, and those who have insured with the Government so far have had no benefit except in the form of reduced tables?—They have had the reduced tables on two occasions.

422. It would be possible on the present system to apply the profits in some other way if that way were thought to be more popular?—Certainly. The present Act of Parliament provides for the distribution of profits.

423. (*Chairman.*) You say that the present Act of Parliament provides for the distribution of profits—to whom?—May I read it? This is subsection (9) of section 5 of the Government Annuities Act, 1882: "If "the fund formed by the receipt of sums in respect of "insurances is so much in excess of the liabilities that "it is possible to reduce the payments made to obtain "insurances, and a new table is made under this section "for that purpose, the Treasury may provide for giving "to the persons entitled to insurances, in force at that "time, such portion of the surplus of the said fund as "seems just in such manner as seems expedient."

424. That is, the existing holders; they get the benefit of the re-valuation?—Yes.

425. I cannot understand why you cannot give a "with profit" table without legislation?—Because an Act previous to the Act of 1882 provided for the payment of profit into the Exchequer.

426. I do not think that is quite clear to me. Surely if you have that clause in your Act it is a question for internal arrangement, and not for legislation whether you can get the sanction of the Treasury and the National Debt Commissioners to the making of a "with "profit" table. I think it is so important a question that we ought to refer it to the Solicitor to the Post Office to inquire whether it is competent in the words of the Act to arrange a scheme "with profits" without legislation?—The 1882 Act is somewhat at variance with the Act of 27 & 28 Vict., cap. 46, which fixes how the insurance money is to be disposed of. That has a provision as follows:—"The Commissioners for "the Reduction of the National Debt shall prepare and "shall transmit to the Commissioners of Her Majesty's "Treasury, at the end of every five years, a statement "of the result of a valuation of the engagements made "and liabilities incurred during the preceding five "years, and of the assets applicable to meet the same" (that is, a valuation) "and if it shall appear that the "amount of the liabilities is greater than that of the "said assets, the Commissioners of Her Majesty's "Treasury shall charge the deficiency upon the Con-"solidated Fund; and if it shall appear that the value "of the assets is more than sufficient to discharge the "liabilities, the said Commissioners of the Treasury "shall direct that there be cancelled out of the securi-"ties held by the Commissioners for the Reduction of "the National Debt an amount not exceeding four-fifths "of such surplus."

427. In that case they did not give it to the beneficiaries; they gave it to the State?—They took 30,000*l.* and cancelled it, but the 1882 Act provides that tables shall be framed so as to cover the whole expenses of management.

428. May I ask whether you have ever had this particular point under consideration—whether you could alter this without legislation. You have never considered it from that point of view?—No, it has not been considered.

429. (*Mr. Brown.*) The question of "with profits" tables depends after all upon the particular class which we hope to attract, does it not? If we are competing with the ordinary insurance companies we must have "with profits" tables, but the industrial companies, I imagine, have no "with profits" tables properly so-called?—No.

430. And in connection with the question of tables I should like to ask your opinion as to whether we might not have tables showing weekly rates, or the rate per week rather which the premium involves?—In the full table of premiums we have a table showing the weekly sums corresponding to the under-mentioned annual sums.

431. (*Chairman.*) Is that published?—It is a very limited publication; it is supplied to every post office.

432. (*Mr. Brown.*) I am afraid I had overlooked it there?—It is on page 26 of the tables.

433. It is doing the thing in rather an indirect way, is it not?—It is.

434. I should like to ask if particulars of the New Zealand Department might be put in; so far as I know New Zealand is the only colony which has any State insurance system?—For life insurance? I believe that is so.

435. (*Chairman.*) Could you supply Mr. Brown with the detail of the New Zealand scheme?—Yes.

436. (*Mr. Turpin.*) Do you know about New Zealand, whether it is industrial or ordinary insurance?—Ordinary insurance; I believe they had an industrial branch too.

437. That accounts for its being "with profits"?—I think they dropped the industrial, and I think it is purely an ordinary business now.

438. That accounts for its being "with profits"?—Yes.

439. If the Post Office is going to do ordinary insurance they will never compete without a "with profits" table?—I think they ought to divide the tables.

440. (*Chairman.*) What is your next point?—The question of tables inevitably involves the question of the investment of the fund formed from the premiums received to meet the liabilities incurred. Any profit earned by the fund must arise from the following three main sources:—

(1) From the saving in mortality arising from careful selection of healthy lives, i.e., from fewer deaths occurring than expected under the mortality tables used.
(2) From interest earned in excess of the rate assumed for premium and valuation calculations.
(3) From surplus of loadings by reason of the total expenses being less than the total loadings.

There are several minor sources of profit which are relatively unimportant, and it must be remembered that fluctuations in the value of assets should be provided against. I am not in a position to say what profit has arisen in recent years in connection with the first-named source, viz., favourable mortality, but this information should be in the possession of the National Debt Commissioners as a result of the Quinquennial Valuation for the period ended the 31st December 1905. The Committee of 1893 found that the mortality during the period which they had under review had been very favourable, and it is anticipated that the mortality experience has not since been unfavourable. The profits arising from loadings may at present be disregarded, although it has averaged nearly 150*l.* per annum in recent years, but this has been due to the fact that full account of the expenses incurred has not been taken, and in any case the scale of loading at present adopted is such that no large profit can accrue. The main source of profit in an insurance business should be the excess of interest earned over that assumed for the formation of the tables, and this, of course, depends on the investment of the funds, and it is in regard to this fundamental question that the Post Office insurance business is so severely handicapped. The investment of the insurance fund is limited by statute (27 & 28 Vict., cap 46) to Parliamentary securities, and in practice the fund is invested entirely in 2½ per cent. Consols which have been purchased over a long period of time and largely when the stock stood above par. In consequence the rate of interest now realised by the fund is roughly 2*l.* 10*s.* 6*d.* or a fraction above the rate assumed. The question was considered by the Committee of 1893, and that Committee recommended "that "steps should at once be taken to acquire securities "yielding a higher rate of interest than Consols." In the subsequent Treasury Minute of the 11th April 1894, it was laid down that the field of investment must be confined to securities guaranteed by the Government, and although there are such securities yielding a higher rate of interest than Consols, no steps have been taken to obtain a higher rate of interest. I suggest that legislation should be initiated to provide for investment in certain of the securities mentioned in the Trustee Act, 1893 (56 & 57 Vict., cap 53), many of which securities must be regarded as affording security equal to that of Government stock. The effect of the proposed alteration would be two-fold. The immediate effect would be that the receipts from dividends would be increased, and these would go to form a larger surplus of assets over liabilities than would otherwise be the case. Investments are at present made at the rate of about 15,000*l.* per annum, and the amount of increased receipts would therefore soon be appreciable. In course of time the effect would be to justify the calculation of the rates of premium at a higher rate of interest and consequently to justify a reduction in the premiums.

Mr. W. A. E. Batchelor.

12 Nov. 1907.

440A. That, of course, raises the questions you have already been telling us a little about. You give us three sources: the saving in mortality from selection, interest earned in excess of the rate assumed, and surplus of loadings. We come to a very interesting question there, the quinquennial valuation; had we not better get that from the people who are dealing with it?—What we know about quinquennial valuation we have had to find out from other sources.

441. Would you like to see the area of investment enlarged?—Yes.

442. Do you wish that to go further, because it is not inter-departmental but legal?—I should like to see it extended to all investments that can be made by trustees.

443. That is your view?—Yes.

444. (*Mr. Turpin.*) What benefit do you reckon you will get from the extension to trustee securities?—Rather larger interest.

445. To what extent—¼ per cent.?—I should think you would get quite that and more; it is, however, an actuarial question. At the present time we are getting over 3 per cent. on the Consols, not over the whole fund but on fresh investments.

446. Trustee securities would not bring you much more than 3½ or 3¾?—3½ would be quite sufficient.

447. (*Mr. Brown.*) I should like to be clear as to what it is proposed to do with the increased profits. Would you propose to lower the existing "without profits" tables?—We want fresh tables; if you can base your tables on a 3 per cent. rate of interest, you can reduce your premiums all round.

448. You would propose to do that?—Certainly; until we reduce the premiums we cannot do any more business.

449. Do you think a small reduction of the premium would have very much effect with our present methods in attracting business?—I do not think it would have very much effect; business has to be distributed over 88 insurance companies, but we should get some more.

450. (*Mr. Davies.*) Your point really is that we have a considerable advantage over an ordinary company in the low rate of our working expenses, but that that is completely neutralised by the low interest we get on our investments?—Quite so.

451. If the insurer with the Government is to get the benefit of our low cost of management it must be got from a more remunerative class of investment?—Quite so; and in that connection I may say that the cost—I should say, the loading—works out to an average of 1*s.* 11*d.* per contract; that is to say, we can do the business at about that figure. Taking the average for the whole of the British ordinary companies, it is 1*l.* 8*s.* per contract as against our 1*s.* 11*d.*

452. And that very large initial advantage enjoyed by the State is lost by the limitations on the State in the matter of investment?—That is so.

453. (*Chairman.*) Have you any further suggestions?—Yes, I should like to see an extension of the system of insurance without medical examination. The Post Office was the pioneer of insurance without medical examination, such insurance being provided for in the 1882 Act as an experimental innovation. The experiment has proved very successful, and the system is now in vogue with many insurance companies. It seems therefore desirable to extend the provision for insurance without medical examination to meet the demand for such insurance. There seems no reason why the amount which may be so insured should not be as much as 50*l.*, and in support of this I may mention that the Sun Life Insurance Office recently obtained a very large amount of business by offering insurance without medical examination. Certain provisions and restrictions are naturally necessary to guard against loss to the insurance fund arising from the insurance of under average lives at normal rates, and the safeguards adopted have, so far as can be estimated in the Savings Bank, proved more than sufficient for the purpose in view. Indeed it is a matter for consideration whether these safeguards might not in a measure be relaxed. I think that non-medical contracts might provide for half

Mr. W. A. E. Batchelor.

12 Nov. 1907.

benefit after six months, and full benefit after payment of the second annual premium in place of the conditions imposed by Regulation No. 25 (2).

454. Is it absolutely necessary to have legislation for that? Is that not provided for in the Act?—The maximum is 25*l.* in the Act.

455. And you wish that limit extended to 50*l.*?—Yes, without medical examination.

456. (*Mr. Denman.*) Do you actually have any complaints against the medical examination?—No, not very many.

457. It is a material restriction to business, you think; people dislike it?—Yes. The Civil Service Insurance proves that, by the way they all went when the North British and Mercantile took them in without medical examination.

458. Is your suggestion based on the experience of other companies?—The "Sun" recently adopted the system of taking them without medical examination up to any extent, and they did a large business.

459. The benefits, I suppose, were not available within a certain number of years?—I think for death in the first year they paid one-third, for death in the second year two-thirds, and for death after that full benefit. I think these were the only limitations of the "Sun."

460. Are those the provisions and restrictions to which you refer as desirable for us to adopt in the Post Office?—Yes.

461. (*Mr. Brown.*) The industrial companies dispense very largely with medical examination?—Yes, there is no medical examination at all for industrial insurance.

462. I am not quite clear whether any independent attestation of health is required if medical examination is dispensed with; could you tell us exactly what is required by our own system?—They have to answer the questions in the proposal form, and they have to furnish the names of two referees to whom we send questions as to health and habits, and from those we arrive at a conclusion as to whether it is a good life or not.

463. (*Chairman.*) What is your next point?—I think an increase in the amount of the medical fees is desirable. These are at present very low—5*s.* in the case of a proposal for an insurance exceeding 25*l.*, and 2*s.* 6*d.* for an insurance not exceeding 25*l.* In the latter case the examination is optional on the part of the proposer, who is required to pay the fee. I think that all fees should be paid by the Department; that in the case of insurance not exceeding 50*l.*, if examination is undergone, the fee should be 5*s.*, and that in the case of every other insurance the fee should be 10*s.* It is within the knowledge of the Department that the post of medical officer to the Post Office staff has been refused in some instances by medical practitioners on account of the obligation imposed upon such officers of conducting the examination of proposers for savings bank insurance at the authorised rates, and there is strong reason to believe that the smallness of the present fees acts very adversely to the recommendation of Post Office insurance by medical examiners.

464. I understand that the fee is not fixed by the Act of Parliament?—No, it is not.

465. I think we might leave that for the consideration of the Department. Have you anything to say about the minimum age limit?—At present it is 8; between 8 and 14 we can grant up to 5*l.* It is quite a small point, but we can grant annuities on the lives of children at 5, and there seems to be no good reason why we should not grant insurances, except that they do not pay. Sometimes the father of a family will write up to us and ask us to insure the whole family, but if any of them are under 8 it cannot be done.

466. Is that done by the ordinary insurance companies; is the limit 5?—There is no limit for industrial business.

467. Supposing you are altering, at any rate, what is your reason for choosing 5?—You cannot estimate the value of a life under 5, I believe; that is an actuarial question.

468. (*Mr. Brown.*) Have you any system of endowments for children—an insurance combined with an endowment, say, at 21?—No, we have no tables of that sort at all.

469. Do you not think something of that sort desirable?—It is very desirable indeed.

470. Is it not rather undesirable to encourage the insurance of young children against death simply?—After five years of age you have mortality tables; and you know what the mortality is; on the death of a child under 5 years of age I see from an extract from the Friendly Societies Act that a company shall not pay any sum which, together with the amount paid by any other company, shall exceed 6*l.*

471. The limit is 10*l.*?—Yes, up to the age of 10 years.

472. (*Chairman.*) You have not proposed any endowments?—No.

473. You have said it is very desirable, but it is one of the things you did not put in your memorandum?—That is so; I think it is a good thing to have, however.

474. I am rather surprised that if you did think it desirable you did not say so; in Scotland during the last 10 years there has been an arrangement for giving a child so much when he arrives at the age of discretion, and perhaps you will think that matter over before you come to see us again?—Yes, but such business is not purely life insurance business, and would not be possible under the present Acts.

475. (*Mr. Turpin.*) Your general opinion is that you should really extend your tables to all the benefits that other insurance companies show?—Yes, I do not see any objection.

476. (*Chairman.*) Have you any other suggestions?—With a view to further popularising the system and to giving additional facilities for keeping insurances in force, I suggest that powers should be obtained to grant loans on the security of contracts within their surrender value. It is, of course, very desirable to keep an insurance in force once it has been granted, and to this end it has become a common practice with insurance companies to apply the surrender value of an insurance to the payment of a premium in cases where the insurance would otherwise lapse.

476A. That is a very important suggestion. Does not that raise the question of surrenders? Perhaps you will give us your views upon this point. Will you explain at the present moment in the most simple way what happens if a man does not pay his money up?—If a man does not pay his money up the contract lapses; we give him a certain time for renewal, if he desires it.

477. The first process is that you serve a notice upon him?—Yes.

478. And if he does not reply to that notice, what do you do?—We send another, then we send a third, and sometimes a fourth and fifth, if necessary.

479. You go on applying?—Yes.

480. But supposing he does not pay you, have you any power to apply the surrender value to payment of his premium?—No power whatever.

481. You do not want that power—at least you have not put that down?—I do not see in what form we can get that power except by granting loans on the security.

482. If you call it a loan; I presume a lapsed policy has a value, has it not?—It has a surrender value.

483. Do not offices (I am very ignorant about those things) deal with that as the surrender value, and in some way or another continue for a certain number of years the payment of the premiums?—Yes, a lot of offices do that; until the surrender value is exhausted they keep the policy in force.

484. Why do you call that a loan?—There are two ways of regarding it. We should actually grant loans on the security; a man might be able to keep up his policy and to pay the premium annually, but he might want to raise a loan upon it.

485. I quite understand that he might want to do that also, but he might say, "I am sorry to say I am "only earning enough to keep my family; can you

" arrange to go on paying my premiums ?" I may be wrong, but I thought that was what they did ?—That is what they do.

486. You have not asked for powers to do that ?—That is included, I think, in the general question of loans.

487. You intended to include it ?—I did; I meant this to cover both transactions, keeping the policy in force and actually lending the money upon it.

488. You want the power to keep the premium going as long as the policy has any value, and you also want the power to give him a loan ?—Yes, because if not, he takes the surrender value.

489. Those are the two points raised upon that ?—Yes.

490. (*Mr. Denman.*) You give surrender values on policies of any value ?—On policies of any amount after they have been in existence two years; of course, the surrender value given is sometimes very much more than it should be, or, to put it in another way, we give too high surrender values.

491. What, for example, would be the surrender value on a 5*l.* policy after a few years ?—That is hardly a question that I can answer, because it is purely actuarial; but I can give you some amounts which have been settled, with the percentage of surrender value paid.

492. If you have any policies which have been in existence for a short time it might be desirable to have them ?—One example I have here is two premiums amounting to 5*l.* 0*s.* 6*d.*, and the surrender value there was 3*l.* 4*s.* 6*d.*

493. And the value of the policy was what ?—The value of the policy was 100*l.*

494. (*Chairman.*) You are clear that you have absolutely no power to apply that surrender value ?—Absolutely no power at all.

495. I do not understand why it does not come under the ordinary condition of business ?—That is how I want it to come.

496. Are you legally bound by the terms of the Act to return a man his money if he does not pay up to you and you cannot apply it to the premiums ? Have you taken an opinion upon that ?—Yes, there is absolutely no power in the Act to do it.

497. What are you bound to do when a man ceases his payments ?—If he applies for the surrender value and there is one, we are bound to pay him.

498. If he does not apply, what happens ?—If he does not apply we should let it lapse, and it would go into the insurance fund until he did apply.

499. Why, instead of its going to the insurance fund, should you not put it into payment of his premiums ?—There is no reason whatever, except that we have not got the power to.

500. It is a legal question, and you think it needs definite legal powers to do that ?—It certainly does want power, because the Regulations say that the Postmaster-General shall not recognise any assignment which is not an absolute assignment—which does not pass the whole interest of the assignor.

501. An assignment is a different thing, surely; but perhaps this is a legal question, which I should ask from another witness ?

502. (*Mr. Denman.*) On our existing scale of surrender values we make a loss on the policies of small value if they are surrendered early ?—That is so.

503. Would not that process be accentuated if we granted loans on a policy of small value ?—The value would be too small to grant a loan upon. I should not propose to grant a loan for under 5*l.*

504. The minimum loan would be for 5*l.* ?—Certainly not lower than that.

505. And on any policy, when it had a surrender value of that amount, you would recommend that a loan should be grantable ?—I should recommend that a loan should be grantable.

506. I was only anxious to get your limit—not below 5*l.* surrender value ?—I certainly would not grant a loan under 5*l.*, I think; and it would be some years before the contract would acquire that value if the insurance was at an early age.

507. I suppose the reason why, in the industrial insurance, surrender values are not granted is that it is hardly practicable because the surrender values are so small ?—Some industrial insurance companies give you a paid-up policy; they never pay any surrender value in cash, but they will give you a policy. Most of the companies make a large profit out of the lapsed policies.

508. Generally speaking, if we specialised in industrial business you would not think it practicable to grant loans upon policies on any large scale ?—I should not do it on the industrial business at all.

509. (*Mr. Davies.*) When you say that you would not grant loans to a less amount than 5*l.*, are you clear that you would give them for so low an amount ?—I certainly should not give them for less.

510. That is a matter you have not fully considered yet; we are not to take it for granted that you would grant loans for 5*l.* ?—No.

511. You have no definite figure in your mind ?—No, but of course it would be limited.

512. At present, supposing a policy to have a surrender value of, say, 20*l.*, and a man who was in temporary need of 20*l.* wanting to borrow upon it, our procedure, if he is to get his money out of the Post Office, compels him to surrender his policy ?—That is so.

513. And you consider that the terms upon which we allow policies to be surrendered are unduly favourable to the person insured ?—They are more favourable than any of the ordinary insurance companies.

514. So that in such a case as that we forego the profit we might make on a loan, and incur the loss which attends a surrender ?—Quite so.

515. (*Mr. Brown.*) I believe one at least of the industrial companies pays a surrender value; I noticed one which paid nearly 20,000*l.* on that account in a recent year, not one of the largest companies, and you would not think that the Post Office should do worse than any industrial company, at all events, in that respect ?—Was it on its purely industrial business ?

516. Yes, according to my information. I was going to say that you would propose to charge a fair interest on loans, of course ?—I should.

517. Probably 5 per cent. ?—That is, of course, a question which is hardly for me, but I should say about 4 per cent.

518. If we charged 5 per cent. we should be getting a perfectly safe method of increasing our profit ?—Quite so; that is partly the idea.

519. And if we charged unpaid premiums against the surrender value, I suppose we could charge interest at the same rate upon those premiums ?—I take it so.

520. (*Mr. Hewby.*) If power were taken to lend on contracts, do you anticipate it would add much to your working expenses ? It might be rather a complicated business, I should have thought ?—I do not think so; I do not think it would be very difficult to manage. It might cost a little more, and I suppose all these alterations might give us extra work.

521. And it might be necessary to add to the premiums to provide for that ?—It might be necessary to add to the premiums, and probably it will be to some extent. The loading, of course, is extremely low at present.

522. (*Mr. Turpin.*) You say your surrender values are too high; why do you say that ?—Because we give the full net value of the contract, and insurance companies do not, because they make deductions for these earlier cases where they have to pay the heavy initial expenses.

523. The surrender value, compared with the premiums you receive, leaves you enough margin to pay all these expenses ?—But the expense of a contract the first year is about 12*s.*

Mr. W. A. E. Batchelor.

12 Nov. 1907.

524. In the case you quoted just now it was much less?—Those are big premiums; when you come to smaller ones and you get a 26*s.* premium, you pay 21*s.* away for surrender value in many cases.

525. And what is the cost?—The cost is 12*s.* and some pence.

526. With regard to granting loans on policies, that would be extending your area of investment again beyond trustee securities?—Yes, I think we could do that; if the Act of Parliament provided for loans it would not question the investment in that way.

527. It would not meet your purpose if you confined it solely to applying the surrender value to the premiums in arrear?—That would be a very considerable advantage; but I was looking to extending the area of investment by granting loans. The companies do a very large business in that way; amongst the assets of the Prudential here I see "Loans on the company's policies, 2,272,000*l.*"

The witness withdrew.

Adjourned to Monday, 25th November, at 11 o'clock.

SECOND DAY.

Monday, 25th November 1907.

PRESENT:

LORD FARRER (*in the Chair*).

F. J. BROWN, Esq.
The Hon. T. H. COCHRANE, M.P.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. G. TURPIN, Esq.

E. RAVEN, Esq. (*Secretary*).

Sir G. Hervey, K.C.B., and Mr. J. Blakey.

25 Nov. 1907.

Sir GEORGE HERVEY, K.C.B., and Mr. J. BLAKEY called in and examined.

528. (*Chairman to Sir George Hervey.*) What is your exact title?—I am Secretary and Comptroller-General of the National Debt Office, and Mr. Blakey is the Actuary to the Office.

529. Perhaps you would state which questions you would prefer to answer by yourself and which you would prefer that Mr. Blakey should answer as we come to them?—Yes.

530. First, is there any general statement you wish to make before we ask questions?—No, I think not—unless there is any general information you want.

531. Perhaps you will allow the members of the Committee to ask questions as to that as we go along?—Certainly.

532. The first question is with regard to investment of the fund, and whether investments could be made in any more remunerative Government securities. Perhaps the first question of all to ask is what are the Government securities in which investments are permitted?—They are the securities in which Savings Bank funds can be invested, that is, the parliamentary securities of the United Kingdom.

533. And those are defined by Act of Parliament?—They are securities the interest or capital of which is guaranteed by Parliament.

534. Are those defined in any Act of Parliament or is that left for the Treasury to settle? What does the word "guaranteed" mean?—They are guaranteed by authority of Parliament.

535. Are any of those only partially guaranteed or is it in all cases an absolute guarantee?—An absolute guarantee.

536. Perhaps you will tell us whether there is any particular rule that governs the investment of the insurance securities apart from the Savings Bank securities?—There is no rule. It has been the practice to invest these securities in Consols so far. Whether it would be a good thing to change it in the future is a question which we may consider.

537. The practice has been to invest in Consols, and Consols only?—Consols, and Consols only.

538. Then I suppose I may ask you the question, are you in favour of an extension of the area of investment to any other but Government securities?—That is rather a question of policy for the Government than for me, but in view of the expression of opinion in connection with the Savings Bank Inquiry in 1902 by the Select Committee of the House of Commons, recommending that Savings Bank moneys were not to be invested outside Government securities, I should think it was doubtful if the Government would change their minds.

539. The only other question that occurs to me on the question of investment is, is there any objection as far as you are concerned in there being investment in other Government securities besides Consols?—Not if we found they paid better, and provided that the amount invested in Consols was sufficient to satisfy any immediate demands.

540. Immediate demands for what?—Demands that might arise for cash. Consols are much more realisable than other securities. If you invested in Irish Land Stock, for instance, you might find it very difficult to realise if you wanted money. Therefore you must have a certain amount in Consols as a liquid security.

541. Would it be fair to say that that amount should only be that which was necessary for the insurance part of the business as apart from the Savings Bank part?—I thought we were only talking about the insurance fund; I do not quite follow.

542. I thought that Savings Bank and insurance were both mixed up; is not that so?—No.

543. I am afraid it is ignorance on my part?—Perhaps I might explain that there is only one fund under the Act of 1864, and that fund consists of two parts—the deferred annuity money and the insurance money. They are both invested in one fund.

544. The deferred annuity and insurance go together?—Yes, as far as the fund is concerned. The National Debt Commissioners keep the accounts separately, but as far as the actual fund is concerned there is only one fund.

545. I understand your view to be that the Government must be in a position invariably to meet any probable call at once by the sale of the security?—Yes, quite so.

546. What is the present state of the fund as disclosed by the last quinquennial valuation?—The last quinquennial valuation was at the end of 1905, and the state of the fund then was that on the insurance account there was a surplus of 77,771*l.*, but there was a deficiency on the deferred annuities portion of the account amounting to 96,474*l.* That left on balance a deficiency of 18,703*l.* on the whole fund.

547. Can you give us the gross amount of the fund at present?—The assets and the liabilities? Do you want the two funds or only the insurance?

548. Insurance, I think, is all we should like to have?—The assets of the insurance fund were valued at 328,207*l.*, and the liabilities at 250,436*l.*

549. So that the insurance fund was very solvent according to the valuation?—It showed a surplus of 77,771*l.*, as I said.

550. I think I will leave it to members who understand more about it to ask any questions about that. It has been suggested that the Exchequer received 30,000*l.* in 1887?—Yes.

551. The question is whether that is a fair payment. That I suppose is a question that you are guided in by Act of Parliament?—The payment was made under the provisions of the Act of Parliament. It is provided in the Act that if a surplus is disclosed (I am quoting from memory) the Treasury shall cancel securities not exceeding four-fifths of the surplus.

552. And there is no provision for applying interest to the improvement of the working or to the lowering of the premiums?—There was not in the Act of 1864.

553. There is now?—Yes, under the Act of 1882, I think there is.

554. But this was a payment made in 1887?—Quite so, but the Act of 1864 is in existence.

555. It is not repealed by the Act of 1882?—No.

556. I do not profess to keep these Acts in my head. Is there a case for saying that it was intended by the Act of 1882 to devote benefits to the insurance fund that were justly due to it?—The Act of 1882 was merely permissive, I think. It says that the Treasury *may*.

557. It was not mandatory?—No.

558. Then it was a question of the Treasury's interpretation of the Act?—Yes.

559. The next question is with regard to the method of the valuation of the securities. Is a particular day taken, or do you value on an average?—No. The valuation is made at the end of the year.

560. On a particular day?—On the 31st December—on that particular day.

561. I do not profess to know enough about actuarial questions to know whether that is fair, but I do know that on particular days sometimes stocks are not of the same value as on other days. I do not really know enough about valuation to know whether that is a fair method of valuing?—I do not think there is anything unfair in it. The object is to compare one period of five years with another and see what your fund is doing as a whole.

562. But does not the valuation on a particular day interfere a good deal with actuarial calculations? When I speak of this, I am aware that I speak of a thing which is very complicated; but is that the method of valuation that is common with insurance companies?—I cannot answer that question.

563. With regard to increase in the maximum limit of insurance, is that a question that presents any difficulties to your Department? It is a much disputed question. Supposing the limit was 500*l.* as has been suggested, or even 300*l.*, it would not, I suppose, affect you. You would receive the money and account for it?—I think that in 1882 it was proposed to put the insurance up to 200*l.*, but owing to opposition in the House of Commons, it was found impracticable to do so. Whether the opinion of the House of Commons has changed now, I cannot tell you.

564. I did not mean that; but as far as you are concerned, it does not affect you?—No. At that time the Government were willing to put the amount up: therefore, I do not see why they should not be willing to put the maximum amount up now.

565. But whether you had more money or not does not really affect the question. The raising of the limit is rather a question of principle than a question of administration?—Quite so. There would be no difficulty about the administration of the money.

Sir G. Herrey, K.C.B., and Mr. J. Blakey.

25 Nov. 1907.

566. Then the next point is whether the tables can be recast on a more popular basis, or, in particular, whether a system of "with profits" tables would be feasible. That, I suppose, is an actuarial question?—Yes, I think it is rather an actuarial question.

567. Would you prefer that I should pass that over to the actuary?—I would prefer you to pass that over.

568. The question of whether it would require Parliamentary sanction is a legal question to some extent?—It is a question of interpreting the meaning of the section of the Act of 1882, but I should think it could be done without further parliamentary powers, because any tables that were framed would have to be laid before Parliament for 30 days, and would obtain the sanction of Parliament, unless they were objected to whilst they were on the table.

569. Is that by a Provisional Order?—No. Under the Act they have to lie on the table for 30 days, and unless objected to they become operative.

570. Under that particular Act?—Yes. Therefore if Parliament objected to anything in the Regulations it would object at the time.

571. With regard to the necessity of modifying the tables in other respects, does that affect you or is that an actuarial matter also? Are the tables satisfactory generally, do you think?—The way in which the tables would affect me would be in the way of expense. As they run at present, the loading is about equal to the management, and therefore from that point of view they are satisfactory.

572. I have read through a very large amount of correspondence between the Post Office and various Departments as regards that question, and I am bound to say that I do not profess to understand it, but the question, I suppose, is one really of whether the thing as a whole pays. Does an average, with regard to each individual transaction in your view, give a fair basis for any length of time without alteration, or does it need alteration as business increases or decreases?—By business do you mean the number of transactions?

573. Yes, the number of transactions?—As long as the number of transactions costs the same on the average, the result must work out in the same way, I think.

574. And whether the sums are large or small?—No. That is not the number of the transactions, is it?

575. No, but an average always presents to my mind a difficulty, because you may be averaging things that are not in the least similar. You may be averaging a million transactions of 2*l.*, or one transaction of two millions, but I think I would rather leave others who are more conversant with the question of averages to deal with that?—It is a question really of the system which is set up which establishes the tables, and we should have to consult the actuary.

576. It is actuarial, then?—Yes.

577. You have not found anything to complain of from your point of view in the present tables?—Not that I am aware of.

578. There was one question which was raised in Mr. Batchelor's evidence, and also by myself and others here, and that was whether there is any objection from your point of view to the practice, which is universal in insurance companies, of allowing surrender values to be applied to keep up premiums?—That, I think, is also a question upon which the actuary could tell you more than I can, because it will affect the cost of the transactions.

579. Therefore that would affect the table?—Yes.

580. The next question is one which I do not know anything about—the question whether the surrender values at present allowed are too high. That is actuarial also, I presume?—If "too high" means more than the fund can bear, as the fund shows a surplus I do not think they are; but whether they are higher than allowed by other offices is another question.

Sir G. Hervey, K.C.B., and Mr. J. Blakey.

25 Nov. 1907.

581. Surely the surrender value is a definite individual actuarial calculation, and does not depend on the general assets of the fund, but on what one man has paid in and how much he ought to have out. I mean too high in relation to the individual transaction. That is the same thing in another way. That is actuarial, I presume?—Yes, I think that you had better take that as actuarial.

582. I suppose you would raise no objection from your point of view to any simplification of the proposal form?—Not so long as it provides whatever safeguards are considered necessary.

583. The most important general question, I think, is whether you have any views as regards the present arrangement by which the fund is worked through the Savings Bank, and your experience of that. Do you or do you not desire that to continue?—As far as the working goes now, it works without friction between the two Departments. It was connected with the Savings Bank, I think, on the recommendation of Mr. Cardin some years ago. If the Post Office are anxious to get rid of it, of course we must make some fresh arrangement, but as far as the National Debt Office is concerned I see no objection to the present system being continued.

584. Do you remember the institution of this Post Office insurance?—No, I am afraid that that was before my day.

585. So that, I think, the question as to the class of people whom it was intended to benefit has not come up in your time?—The class of people it was supposed to benefit, I take it, is the class of people who are entitled to deposit in the Savings Bank.

586. Yes. We have heard from evidence previously that there are a certain class of people who desire to have the benefit of the security of the British Government behind them. It has been rather the assumption that there is that class of working and other people. Do you consider that any definite line can be drawn between industrial insurance and life assurance in your experience?—No, I should say not; why should you draw a definite line? I do not see any reason why you should.

587. There is no particular sum that represents, in your mind, the amount at which we should draw the line, and say one is industrial and the other is life, or whatever you choose to call it. I do not think there is any Parliamentary definition?—I do not think you can fix any amount. The intention of the Government in providing this was in order to give a facility to those people who could not go to offices and probably could not get what they want in offices. I do not know that the Government has any desire to interfere with the ordinary insurance business of the country. It is rather to fill up a vacuum than to establish a competing business.

588. That is the general idea that you have formed of State insurance through the Post Office as it exists?—Yes, I think so.

589. As regards one other question that your experience would be of great value on, are there particular sums that pay you better than others, or do you simply have to deal with the money to be invested? It is to some extent a quinquennial calculation as to what class of insurance pays best?—You mean that the insurer for a larger sum is a cheaper business to the Government than an insurer for a smaller sum?

590. That is what I really meant?—Yes, that is so, but in framing the tables the actuary has to take the big and the small, and make a general average at which it all works out.

591. Actuarial matters to me are the most difficult in the world. Has he not, in the case of the Government, got to consider what is the sort of amount that the liability is supposed to be for. At present 100*l.* is the maximum?—Yes, 100*l.* is the maximum.

592. Does that make a difference in the conduct of the business, *quâ* a business in profits or surrender values. Whereas other outside agencies can insure up to anything you like, the Government is limited to 100*l.* Does that in practice make a difference in the cost of working the office. I admit that that is rather a large question. I do not know whether I have put clearly what I want to get at?—I think, perhaps, Mr. Blakey could answer that better than I should.

593. Then, as far as you are concerned, you do not desire to effect partial separation between the insurance and the Savings Bank?—No, I think not.

594. As I understand you do keep a separate account now?—Yes, the account is kept separate.

595. But the operating part is unified?—It is done by the Post Office through the Savings Bank.

596. (*Mr. Cochrane.*) Could you give us any account with regard to the working of Post Office deferred annuities. We had some evidence from Mr. Batchelor about the system of life insurance?—In what way do you mean? The financial causes of the deficiency?

597. Yes, the causes why the deferred annuities fund should show a deficiency. The life assurance fund, if I did not misunderstand you, showed a surplus of some 77,000*l.*?—Yes.

598. And the deferred annuities showed a deficiency—I forget the exact amount—making a total deficiency of about 18,000*l.*?—Yes.

599. Will you explain how that arises?—It arises from two causes, I believe; one is the rate of interest which is earned from the premiums paid in connection with deferred annuities, which cannot be invested at present to pay 3¼ per cent., or if they can at present, for some years past they could not. The other reason is that we believe the annuitants live longer than was expected.

600. I observe in the Act of 1882, to which you drew our attention, that subsection (4) of clause 5 says the table shall be framed in such manner that the fund formed by the receipt of sums in respect of deferred annuities and of insurances, and the amounts paid for immediate annuities, shall respectively be adequate after payment of expenses to meet all claims without causing any loss to the Exchequer?—Yes.

601. That "respectively" refers, I suppose, to deferred annuities?—I should say so; that is how I should read it.

602. In practice does it work out in that way?—There is a deficiency in the deferred annuity portion of the fund, and therefore it does not work out so at the moment. Perhaps I might explain that an examination is at present being made into the duration of life to ascertain whether the basis of our tables is right, and if we find that an alteration is necessary, we shall have to make an alteration, but until that examination is completed, we can do nothing.

603. It struck me on hearing your evidence as being rather a point?—Quite so. There is an examination taking place.

604. Is it asking you too much to ask you to give us your views on a "with profits" system?—I have not considered the question seriously, but it strikes me at first sight as being against the policy of the Government, because there is rather an element of what you may call gambling in it.

605. The results are so largely dependent upon success in making investments which will yield a profit?—Yes, that would be so, no doubt.

606. That any ordinary insurance company are able to give "with profits" insurance is largely due to the success with which their investments are managed?—Yes, they can invest in all sorts of things, but our investments are limited to Government securities.

607. Do you think there would be a sufficient surplus to make it worth while giving it "with profits"?—The only object, I fancy, of giving it "with profits" would be to increase your business.

608. If you wanted to enter into active competition with existing societies?—Quite so; but is that the policy of the Government? I think not. They only want to give the poor man, who cannot go anywhere else, the security of the State for the insurance which he is able to make.

609. It is no part of the business of the Government to enter into competition with existing societies, you think?—I think not.

610. But merely to meet a want for security with reasonable premiums?—Yes, and reasonable premiums. The premiums at present are lower than what are charged by other insurance offices.

611. I think you said that it would be possible for the Treasury or the Post Office—and, I presume, the National Debt Commissioners—to issue fresh tables giving "with profits"?—I think so, under that section of the Act of 1882.

612. Subsection (9) of section 5?—"The Treasury "may provide for giving to the persons entitled to "insurances in force at that time such portion of the "surplus of the said fund as seems just in such manner "as seems expedient"—the words are very wide.

613. Yes, very vague. The Treasury have not seen fit to apportion any part of the surplus, I think?—Yes.

614. Have they?—In 1896. Mr. Blakey will tell you more fully about that than I can.

615. Thank you. They have done so?—Yes, indirectly. What they did was this: In the case of the old insurers, who paid, say, 1*s.*, they reduced their future premiums, and instead of paying 1*s.* they paid 10½*d.* or 11*d.*, or whatever it was. Therefore they gave them the benefit in that way. They did not take so much money and hand it over to them, but they reduced their premiums in future.

616. It is the same thing in another way?—The same thing.

617. They have actually a system of insurance "with profits"?—(*Mr. Blakey.*) No, I do not think you could put it like that. (*Sir George Hervey.*) That would not be the ordinary meaning of it, but it comes to the same thing. (*Mr. Blakey.*) The tables have been altered. You cannot say it is a system "with profits." (*Sir George Hervey.*) No, it is not a system "with profits," but they have the benefit of the profits.

618. With regard to raising the maximum of 100*l.*, would you give us your views upon that, Sir George. Do you think it is desirable to do so?—I am not aware that there has been any demand on the part of the public for it, but if there was any demand I should see no objection to it.

619. To what maximum would you raise it, 200*l.*?—I should say 200*l.*, certainly. If that was not enough, it might be raised subsequently.

620. Would 200*l.* be sufficient to cover the cases that you contemplate ought to be covered by a system of Post Office State insurance?—I think so. I think that a man who wants more can get his business done by the ordinary insurance company.

621. If he is sufficiently large a man to insure his life for 500*l.* there are plenty of facilities for him?—Yes, I should say so.

622. He is in a position to choose his own insurance company?—He is in a position to choose his own insurance company and to do his business as he likes.

623. The small man who only wishes to insure for 200*l.* knows that he gets security without any difficulty by going to the Post Office?—Yes, quite so.

624. Therefore you think that 200*l.* would be a sufficient amount?—Yes, I think so.

625. (*Mr. Hewby.*) If a system of insurance "with profits" were introduced, might it not result in the amount of the insurance in a given case exceeding 100*l.*—the addition of the profits, I mean, would bring it above 100*l.*?—Yes, certainly it would.

626. Then, if that were so, would not legislation be necessary?—Your point is that the Act of Parliament says you must not have more than 100*l.* from an insurance, and if you have an insurance "with profits" the insured will get more than 100*l.*

627. Yes, or may; that is my point?—I have not considered that point, but, as I said before, if Parliament sanctions the tables it sanctions the thing indirectly, and the amount above the 100*l.* would be 4*l.* or 5*l.* at the outside. That is also a question which we shall have to consider.

628. (*Mr. Brown.*) Would you mind telling us what difference it would probably make in the interest received, if the investments were extended to Government securities more remunerative than Consols?—At the present moment?

629. Yes, or on an average?—There was a Committee, as you probably are aware, to consider questions in connection with this Government insurance in 1893, and the question at that time was considered as to whether the investments should be extended. I looked at the prices at that time, and the Treasury refused to go outside Government securities. But at that time there would be practically no difference in the return received from the investment, whether you bought Consols or whether you bought local loan stock or other securities. At the present moment the case is not quite the same. In the first place, there was the old Irish land stock which came into existence but was practically not in the market; now there is the present guaranteed 2¾ per cent. stock and war loan and other things which have been created since. You might get half-a-crown per cent. more, roughly speaking, at the present moment.

630. (*Chairman.*) In interest per annum?—Yes, in interest.

631. (*Mr. Brown.*) At present you get about 3 per cent. on Consols?—At present they pay about 3*l.* 1*s.* Of course, in buying your Consols at the present price, if they go to par, it will affect your valuation very considerably—very much more than if you buy another stock at 95, which goes to par.

632. I understand that the securities were written down to the value which they had on the particular day?—Yes.

633. I think it was the 31st December 1905?—Yes.

634. Does not the writing down of the securities almost necessarily carry with it a variation of the standard rate of interest?—I do not know that I quite follow you.

635. I understand that the valuation is taken at the price of the day, and a standard rate of interest is assumed as regards both the invested funds and the future premiums?—(*Mr. Blakey.*) You do not alter your tables. The lower the price the greater your rate of interest.

636. Possibly this is more properly an actuarial question. I take it that a certain rate of interest was assumed in conducting the valuation as regards future premiums?—Yes, that is so.

637. That rate, I believe, was 2½ per cent?—Yes.

638. My point was that in writing down securities to a price at which they will yield 3 per cent., we ought almost necessarily to give the future premiums, at all events, if not the invested funds, the benefit of the higher rate of interest?—I see your point to some extent. If you write down to 90, it makes your rate of interest in future about 2*l.* 16*s.*, but you do not alter your tables on account of that.

639. I gathered that. We do not alter the tables on account of that, but does not that affect the surplus in the valuation?—One works on the other. It is the price which affects the surplus. If you took a price of 100*l.* your surplus would be larger, but you would count upon getting 2½ per cent. only in future.

640. In any case you count on getting the 2½ per cent., I understand?—Yes.

641. So that if you write down the price to 82——?—It means that you consider that you will get a higher rate of interest than 2½ per cent. in future.

642. You do not credit yourself with that higher rate of interest?—No. That comes in afterwards, and will vary the amount of capital.

643. If you did that, I take it, the valuation would show a still better result?—It comes to the same thing. You would raise the price at which you value the stock. Supposing you took up the full margin of 2½ per cent., you would value at 100*l.*

644. Perhaps, if you do not mind, I will pursue this question a little later with you?—Quite so.

645. With regard to the surplus of 77,000*l.* on the insurance fund, Sir George; I do not understand you to suggest that the deficiency of 96,000*l.* on deferred annuities should be set against that in any way. The

Sir G. Hervey, K.C.B., and Mr. J. Blakey.

25 Nov. 1907.

two stand independently, I take it?—(*Sir George Hervey.*) No, because there is only one fund.

646. But for the purposes of the valuation?—For the purposes of our valuation. For the purposes of the fund, they stand together.

647. For the purposes of insurance tables, if we wished to make the tables in any way more attractive, we should be entitled, I take it, to do so on the basis of that surplus of 77,000*l.*?—I think you would be perfectly justified in making any recommendation you like. Whether the Treasury would agree to it or not I am not prepared to state.

648. My point was, that the insurers should not suffer because there is a deficiency on the annuitants' fund?—Quite so; I see your point.

649. (*Mr. Cochrane.*) I do not know whether you can give us a legal opinion with regard to the definition of subsection (4) of section 5?—It is not each fund; it is "the fund." Then it says "respectively."

650. It mentions each individual branch of the fund. Then it says "respectively"?—It has never been considered that they should be treated separately. They have always been treated as one fund.

651. I am inclined to think that it has been grossly illegal?—The first thing we have to ascertain is really whether there is a deficiency. It is only a deficiency as disclosed at a particular date at a particular price.

652. But it has been singularly recurrent and increasing. I observe with regard to the deferred annuity fund that there has been only one occasion in which there has been a plus, and that is only 1,160*l.* The estimated deficiencies have gone on steadily increasing at every quinquennial valuation from 14,000*l.* in 1890 to 19,000*l.* five years later; 45,000*l.* in 1900 and 96,000*l.* in 1905. I think that that shows a very considerable deficiency on the deferred annuities?—Yes, it does show a very considerable deficiency.

653. Subsection (4) of section 5 of the Act says: "shall respectively be adequate (after payment of "expenses) to meet all claims without causing any loss "to the Exchequer"?—We can only say that at present the tables have not worked out as we expected, and we are now conducting an investigation into the expectancy of life to see whether the terms are not too favourable, Annuitants, there is no doubt, live longer than was expected.

654. It cuts both ways?—Yes, it cuts both ways.

655. You get an advantage in the life assurance because the premiums go on longer?—Yes, quite so. They have to pay more premiums, but the life insurance is not conducted on the same mortality tables as the others.

656. I do not want to argue, but it seems to me to contemplate that the accounting shall be separate, and that if each branch of the fund is to be adequate to meet all claims, without causing loss to the Exchequer, there should be a surplus on the life insurance, as Mr. Brown pointed out just now, which should be available for reduction of premiums in the future?—Unless the Treasury chose to cancel the stock to the extent of four-fifths of the surplus.

657. Are the Treasury not entitled to place a surplus on the life assurance against a deficiency on the deferred annuities. I should like your opinion on that? Perhaps you would rather that Mr. Blakey answered?—(*Mr. Blakey.*) There is only one fund contemplated for the two, I think. (*Sir George Hervey.*) The Treasury would hold that there is only one fund for the two. I do not think they would recognise that. (*Mr. Blakey.*) It distinctly says "the fund" and "the amount." I think these are the respective items. (*Sir George Hervey.*) That is the way in which it has always been interpreted. (*Mr. Blakey.*) Yes. I think that the other Acts only contemplate one fund.

658. (*Mr. Cochrane.*) Can you give us an opinion as to whether the Treasury consider that the two funds are separate?—(*Mr. Blakey.*) I think that it goes back to rather ancient history.

659. (*Mr. Davies.*) Just to open the question, was there any deficiency on the deferred annuity fund at the time that the surplus on the insurance fund admitted of the cancellation of 30,000*l.* of Consols?—(*Sir George Hervey.*) In 1887?

660. Yes. Was there not a deficiency on the deferred annuity fund then?—Yes.

661. But in view of the surplus on the insurance fund, the Treasury authorised the cancellation of 30,000*l.* of Consols?—Yes.

662. That seems to me to be significant?—There was a surplus on both funds together at that time.

663. (*Mr. Brown.*) I take it that in an ordinary insurance company, or at all events in a mutual company, that 77,000*l.* surplus would be distributed actually in the form of bonuses on "with profits" policies?—A portion of it would, undoubtedly. They would probably keep some of it as a reserve fund.

664. So that from that point of view, even on the present tables, we might be able to give profits?—Yes, quite so, if the Government decided to do so.

665. There are two other points I wish to ask you about. The first has reference to the question whether surrender values at present are not too high. I think that probably the meaning of "too high" in that connection was that in the case of surrender values of the smallest policies, sufficient account had not been taken of the initial expenses in connection with the policies?—You mean that there should be a different scale for the smaller policies than for the larger policies.

666. In the case of the smallest policies, at all events. I rather mean that the surrender values should be lower. I do not know whether that would involve a different scale or whether it would be met in some other way?—I think you must treat them all the same. I do not think you could set up a surrender value on one basis for a man who had a policy of 100*l.* and a surrender value on another basis for a man who had a policy of only 10*l.*

667. Notwithstanding the fact that the initial expenses in connection with the 10*l.* policy are very much higher proportionately than those of the 100*l.* policy?—Of course, it might be done. (*Mr. Blakey.*) They are always treated in the same way. (*Sir George Harvey.*) They have always been treated in the same way.

668. (*Mr. Brown.*) There was one other point which arose in connection with Mr. Batchelor's evidence, which was that the Savings Bank fund, as I understand the question, bears all the expense of what may be called the collection of premiums, and the insurance fund bears the cost of the purely insurance business, namely, the issue of the contract and the one transaction by which the accumulated Savings Bank deposits are paid over at the beginning of each insurance year. The insurance fund allows nothing to the Savings Bank fund for doing its business. That point was raised in connection with the Inquiry of 1882, when Sir Rivers Wilson said that he could not pronounce any distinct opinion on the subject, but it certainly occurred to him that the application of this plan—that is, the union of the insurance business with the Savings Bank business—might lead to a very considerable additional expense being thrown upon the Savings Bank management?—That point was not raised when the Post Office wrote last year to ask for an increase in the allowances, so far as I recollect.

669. I think not. You see no reason in practical working why any such allowance should be made?—Why the expense should be charged to the Savings Bank?

670. Why any portion of the Savings Bank expenditure on account of what I may call the collection of premiums should be charged to the insurance fund?—I do not know clearly about it. Was not that part of the arrangement suggested by Mr. Cardin—that it should be done free of expense?

671. Yes, it was?—That is the reason, then, why it has been done free of expense.

672. I see that Sir Rivers Wilson added this later on: "I do not understand the machinery by which the "thing would be worked—but I only venture to put "in a word on behalf of the Savings Bank to the effect "that we should feel it necessary to protest against the "insurance fund being relieved at the expense of the

"Savings Bank." I want to get on record, if I can, the fact that in practical working, the thing has been so conjoined with the Savings Bank business that there probably has not been any actual additional expense incurred by the Savings Bank fund, and therefore the point that Sir Rivers Wilson suggested has not become of practical importance?—I have not heard that that point has ever been raised again, but I imagine that the expense on the part of the Savings Bank is very small, if there is any at all.

673. (*Mr. Davies.*) On the question of investments, the fund has gone exclusively into Consols so far, has it not?—Yes.

674. Is it the case that nothing better could be done for it in the securities open to you for investment?—As I said just now, the question was looked into—in 1894, I think it was, and at that time the prices of the different stocks were, Consols, 99⅞ths to par and ⅛; that was par; Local Loans Stock about 105; therefore, practically there was very little difference in the return from the two stocks, irrespective of the fact that if you bought Local Loan Stock you were buying above par, and if at any future time the stock were paid off, that would mean a loss of 5 per cent. to the fund.

675. Are we to take it that the money has gone into Consols, not simply because of the fluidity of Consols, but because really there was no better investment open in these years since the 1893 Committee recommended that immediate steps should be taken to put it into better paying securities than Consols?—Well, I say at that time there were none. I am giving you the price of Consols in 1894, when the Treasury Letter was received on the subject.

676. I was talking of from 1894 to 1907. Looking at it as a committee, the Committee of 1893 made a strong recommendation that the fund should go into something besides Consols?—The insurance fund you mean?

677. Yes, the insurance fund. I understand that it has since all gone into Consols?—Yes it has.

678. I was wondering really what the underlying reason was?—The underlying reason is roughly that at that time you could not have made a better investment probably, and that the amount that has to be invested every year is very small. You could not sell your present holding and alter it. That would not be desirable, certainly at present prices.

679. You could not clear out. But the sum dealt with has averaged something like 15,000*l.* to 17,000*l.* a year, has not it?—The insurance fund alone?

680. Yes—net for investment?—I am afraid I have not any figure for that here.

681. I think that is about it?—I take it from you, it is 17,000*l.* if you like.

682. It is rather an important point in considering what might be done in the future, to consider what can be earned on the investments. Consols are all right at present, of course?—Assuming that you had 20,000*l.* to invest in the course of the year, and that that was invested to produce a quarter per cent. more than at present, the fund would only benefit to the extent of about 50*l.* a year, I think.

683. Yes, but 50*l.* is not to be despised in this fund. It is all small?—But this fund is solvent. There is a surplus of 77,000*l.* upon it.

684. What I want to be really clear about is, whether they have gone into Consols simply on account of the fluidity of Consols?—Yes, I think so. I think you may take it that that is so.

685. Do you regard the fund yourself in the same way that the Committee of 1893 regard it—as one in which there was no objection to locking up the money?—I see no objection to locking up part of the money, but not all of it.

686. As a matter of fact, you very rarely have to sell?—Yes, very rarely, but still you cannot tell.

687. No. As far as I can make out, you have only sold three times since 1870, and for very small amounts on each occasion?—(*Mr. Blakey.*) I think that is right.

688. (*Chairman.*) Was that the annuity fund or was it only life insurance when you sold. You see the point that I am making?—(*Sir George Hervey.*) I cannot go back to 1870.

689. (*Mr. Davies.*) It is before your time?—Yes.

690. In 1906, last year, 630*l.* were sold for the insurance fund?—Yes.

691. That would probably be a result of over investment in bulk, would it not. It is a mere trifle?—I do not call to mind why that 630*l.* was sold. (*Mr. Blakey.*) It must have been sold to meet a Post Office claim.

692. (*Mr. Davies.*) Does not the premium income suffice with very little care to meet all claims?—No; the premium income and the interest are available to meet claims. Those may have been invested when it was necessary to sell stock to meet a claim. We invest the money as closely as we can.

693. Do you invest on an estimate sometimes. Do you invest before you get the money occasionally on the estimate of what it will be?—(*Sir George Hervey.*) No. I invest the money when I get it from the Post Office; I do not invest it before. If I know that there is a claim coming on the Post Office I have to keep the money to meet that claim.

694. One would be quite safe in saying that sales are so seldom necessary, that it is not necessary to keep the money in Consols for the purpose of realising readily?—Not to keep more than a portion of it. I think that you should keep a portion in Consols.

695. Are you inclined to put a portion of it into other securities?—In the future.

696. Yes?—I see no objection, but——

697. The tables are now made out on a basis of 2½ per cent.; Consols at present are paying a little over 3. Do you think that it would be safe to abandon the idea of confining the fund to Consols, and to reckon on a higher rate of interest than 2½ in making the tables?—No. I do not think that the present low prices will last during the life of the man who comes to insure to morrow.

698. You do not think that in all these securities, taking the whole range open, it will be safe to reckon on 2¾?—No, I do not think you have any right to do so.

699. I quite agree.—I think that the Government must go upon what is safe, and not what is possible or may be possible. At the present moment, or for the next five years, you might safely do so, but you cannot for the next 30 years. There is another little point perhaps about that. So long as these people are connected with the Savings Bank you would give them the same rate of interest as they get on their deposits with the Savings Bank, which is 2½ per cent.

700. I do not quite follow. I was speaking of the 2½ per cent. assumed in the actuarial tables now for the premiums?—If a man deposits his money in the Savings Bank it will accumulate there at the rate of 2½ per cent. Whether it accumulate in the actuary's table or in the Savings Bank comes to the same thing in the end.

701. I do not see that for this purpose. I was thinking of the construction of the table?—The Government would be giving a different rate. They say they cannot give more than 2½ per cent. to the Savings Bank depositor, and why should they give more than 2½ per cent. to the insurer?

702. I imagine that if you thought you were perfectly certain of earning 3 per cent. on the fund, we might give insurers the benefit of that in the tables without extending it to depositors in the Savings Bank?—I think you might recommend it, but I do not think that the Treasury would agree.

703. It is a new point to me. Do you take it that the interest on deposits in the Savings Bank and the interest assumed in the insurance tables must march together?—I should say certainly as regards deferred annuities. Deferred annuities and insurance are more or less connected, so I rather think it is right.

704. They are not exactly connected. The deferred annuities were calculated on a 3¼ per cent. table for a long time, and that is the cause of the present trouble?—Yes, they were.

Sir G. Hervey, K.C.B., and Mr. J. Blakey.

25 Nov. 1907.

705. So that they do not exactly march together. Perhaps we might finish with the deferred annuities as the point has been mentioned. Apart from whatever the actual deficiency on the deferred annuities may be now, is not the situation mainly due to the fact that they were calculated for so long on a 3¼ per cent. table?—You mean that the money that is paid in now does not earn 3¼ per cent.

706. Years ago we issued deferred annuities on the assumption that the money paid for them would be invested to yield 3¼ per cent. and it never did?—Quite so, and I thought I tried to explain before that that was one of the reasons why there was the deficiency.

707. Yes, I am not sure whether the Committee quite clearly appreciated that. But the deferred annuities are being calculated at present on the same assumption as the life assurance at 2½ per cent.?—Yes, at 2½ per cent.

708. So that there is no reason on the face of things why the deferred annuities that have been issued since that rate was adopted should not be good business?—No, except that the annuitants live longer than was anticipated.

709. (*Chairman.*) May we ask the actuary when it is anticipated the fund will right itself; has any calculation been made as to that? I was not aware of the change. Everybody who has had to do with a friendly society must know that they have had the same difficulties lately and have had to reduce their benefits, and we have always had a valuation from the actuary to say at what date the fund will become solvent again. It is of some importance to our inquiry, otherwise I would not ask it.—(*Mr. Blakey.*) At the last valuation the fund would have been solvent, provided that the stocks held had been valued at what they cost.

710. Nobody doubts that.—The actual surplus or deficit depends upon the price at which the stocks are valued at the date of valuation.

711. (*Mr. Davies.*) With regard to the deferred annuities, I do not know whether it has struck you in the same way, but I imagine that perhaps a good deal of loss is incurred from the fact that people give them up so quickly. A man takes out a deferred annuity, gets tired in a couple of years, and throws it on our hands before we have cleared expenses; is not that the case?—(*Sir George Hervey.*) I am afraid I cannot answer the question; that is purely actuarial.

712. We were talking about the possibility of getting a larger income than 2½ per cent. You think that it would not be safe to base tables on the idea that we could get more than 2½ per cent., but it seems fairly certain that for some years to come we shall. We have in the past, and we shall again. That brings me to a point about which a good deal has been said, namely, a system of with profits insurance. Personally, it does not seem to me that the State could very well have two systems—a without profits and a with—but it is pretty certain that 90 per cent. of the people who insure want to know that they are going to benefit in any surplus there is—that is to say, they want a with profits system. Could you suggest any method of distributing the surplus in any more direct way among the persons insured by the Government than by cancellation of Consols, for instance?—That does not benefit the insurers, does it?

713. As taxpayers, that is all. Do not you think it would be possible for us to add to their policies a share of the profits?—That brings you back to the difficulty that Mr. Hewby put, namely, that you make the policy more than 100*l.*, the limit fixed by Act of Parliament.

714. I am assuming that that difficulty will be got over?—They do get the benefit—at least, they have had a benefit by the reduction of their premiums.

715. Yes, they have had that?—You want to give them a benefit in the shape of a lump sum?

716. Yes, an addition to the amount insured. I would rather leave the premiums as they are?—There would be no difficulty in constructing the table in that way, but that is a matter of policy.

717. Yes, purely and entirely?—Exactly.

718. I only wanted your views?—We should have to have two tables, I presume—one with profits and one without.

719. My idea was that it would be better to work with one table. We do not describe our system now as a without profits system, and we need not describe it then as a with profits system?—But make it so.

720. Make it so. I think it would popularise it very much if the people understood that they shared definitely in any surplus that was gained. You would see no difficulty?—No. I think that the objection, if I may say so, would be that the Government would have to take up the position of conducting a business for the sake of profits. The idea of the insurance business is to supply a deficiency. "We do not want to make "profits. We only want to secure the State against "loss, and we will give the best terms we can." That is the objection to it.

721. My idea was to assign the profit to the insured and not appropriate any part of it to the Exchequer?—That you must fight out with the Treasury.

722. Quite so, but there would be no difficulty as to the method?—Well——

723. (*Chairman.*) With regard to the principle, I quite agree that if you are reducing the premiums you are doing exactly the same thing. You are not calling it profits. It is merely a question of words and language rather than anything else. You are giving people back money that you have earned?—That is so. You cannot help that, of course. You would not be telling the would-be insurer, "You will get your profits "if there are any."

724. (*Mr. Davies.*) That is what I want to deal with?—Exactly.

725. (*Chairman.*) It is a different way of doing it?—Yes, it is a different way of doing it. You do not give any increase in the money insured, which is what Mr. Davies wishes.

726. (*Mr. Davies.*) Do you think that the public will understand?—Do not you think that a man understands if he has paid a shilling and he has only to pay 10*d.*

727. I must confess I do not think so?—No?

728. (*Mr. Brown.*) I understood that the whole suggestion was that the profits reached the assured eventually by an alteration in the table from, say, a shilling to 10*d.* A man paying 1*s.* premium would in future pay a premium of 10*d.*?—That was not in the tables, was it?

729. (*Mr. Davies.*) Can you say what proportion of the assets of the fund standing as it does in Consols has been bought above par?—(*Mr. Blakey.*) We have here the average price at which the stocks were purchased, but not the details.

730. (*Mr. Cochrane.*) Has section 3 of the Act of 1864 been repealed?—(*Sir George Hervey.*) No, it has not been repealed.

731. There is still power to the Treasury to cancel an amount not exceeding four-fifths of any surplus accruing from the life insurance or deferred annuities fund?—That section has not been repealed, and I should object very much to its being repealed. That section is the only security that the fund has if there is a deficiency—to get it out of the consolidated fund—and it is very important to keep that alive.

732. (*Mr. Davies.*) The surplus of 30,000*l.* earned during the years 1881 to 1885 was disposed of by a method permitted by the Act of 1864. You do not consider that that method has been rendered inapplicable since the 2nd June 1884, the date when the Act of 1882 came into operation?—No. The Act of 1882 does not override the previous Act.

733. The situation is rather worse than I thought. It is really open for the same thing to be done again?—Yes.

734. I am not prepared on the spur of the moment with chapter and verse for my opinion, but I shall be very much surprised if it is really open to the Treasury to do with this last surplus, for instance, what was done with the 1885 surplus?—I do not quite follow how you draw a distinction between what was done in 1887 and what can be done now. Both were subsequent to the Act of 1882.

735. (*Mr. Brown.*) I understand that the 77,000*l.* is the surplus which has accrued on the insurance fund since the commencement of insurance?—Yes, since the commencement.

736. Less this 30,000*l.*?—Less the 30,000*l.*

737. Not a profit which has accrued during the quinquennium?—No.

738. (*Mr. Davies.*) Has any surplus been paid into the Exchequer since the 30,000*l.* of 1887?—No, none.

739. I wanted to ask one or two questions on the valuation. I am not sure whether you would answer them or Mr. Blakey?—I think that Mr. Blakey would probably be able to give you better answers than I could upon that.

740. And would he deal with surrender values too?—Yes, I think so.

741. Mr. Cochrane asked you your view as to the extension of the limit, and I think you said that you saw no reason for putting it above 200*l.*, or rather that you thought that there was no public demand?—I said that I was not aware of any. I have not had any letters or correspondence on the subject.

742. I understand that a great many applications are received at the Savings Bank—we have had it in evidence—from people already insured who want more, and from people who have not quite realised the limitations who ask for insurances substantialy in excess of 200*l.* I wish to mention that to you. Your view as to 200*l.* rests, I take it, on the fact that a Bill was once framed to extend it to 200*l.*?—That was so.

743. And a Bill was once framed to extend it to 500*l.*?—I am unaware of any demand, and in the absence of any demand it seems to me that that rise to 200*l.* would probably meet all requirements, speaking generally.

744. You are answering in the absence of any demand?—Quite so—in the absence of any demand.

745. (*Mr. Denman.*) Do you regard it as desirable to encourage the system of Post Office insurance?—I do not think it is desirable to encourage it in the sense of competing with the ordinary insurance office. That is not the policy of the Government; the policy of the Government is only to supply what I call a vacuum.

746. In deference to the wishes of the Chairman, I will revise that question. Do you regard it as desirable to encourage the use of the present life insurance system of the Post Offic?—I would give you the same answer.

747. Now I want to know whether you know of any vacuum that is not filled by competing companies?—I have had no recommendations from anybody saying that there is something that requires to be filled up, or that there is a demand for increased facilities.

748. To what do you attribute the failure of the present system?—I presume that sufficient facilities are given by the ordinary companies. By "failure" I presume you mean that the number of insurers is very small comparatively.

749. Taking the amount of insurance in existence in 1864, and the amount of insurance in existence now, the increase by every other institution or by other institutions as a whole is enormous, but the increase in the Post Office insurance is not significant; that is to say, you do not think that the mere fact of Government security is sufficient to attract insurers to the Post Office system?—It probably is not sufficient to attract the insurer, when through the agency of a public company he is saved a great deal of trouble in the collection of his premiums.

750. Do you think that the suggestions that have been put forward by the Savings Bank would be likely to materially increase the business which the Post Office now does?—I am afraid that I am not quite aware what those suggestions are. I have not seen a report in any way upon it.

751. In the conduct of the Post Office insurance business, do you think it is desirable that policies should be issued which are not self-supporting, that is to say, that one class of policy holder should be paying to enable another class to have policies at a low premium?—I suppose, that strictly speaking, that is not a correct way of doing business, but does not the same argument apply to the small account in the Post Office Savings Bank and the large account in the Post Office Savings Bank. Which pays? The large account, and therefore the man with the large account pays for the cost of taking the small man's account. I think we must rather come back to what I said before and look at it all from the point of view that it is the Savings Bank depositor you are benefiting. By the Savings Bank depositor I mean the person who is entitled to be a Savings Bank depositor; that is the class of person you are benefiting.

752. The cases are not analogous?—No, not quite.

753. It would be difficult to differentiate the expenses incurred on a large and small Post Office Savings Bank account, but you can meet the differences on large and small policies by accurate loading?—Yes, assuming that there is no more trouble in collecting from one man than there is from another, but I suppose one man's account is perhaps more troublesome to collect than others. I do not know how tha would work out.

754. You are empowered to do this insurance business quite independently of the Savings Bank, are you not?—There was nothing in the original Act connected with the Savings Bank, I quite agree.

755. Would you think it desirable to enter into direct relations with friendly societies or trade unions if such societies undertook to pay premiums in bulk on behalf of their members?—I have not considered that question, therefore I can only give you an answer on the spur of the moment. I should think we could establish some system of that sort if it was found desirable.

756. I am afraid I must revert to the question of investment. What proportion of a life insurance fund would you think it desirable to invest in a liquid security?—The smaller the fund the larger the proportion. In the present state of insurance I should think that if we kept a quarter of a million in Consols the rest might be invested elsewhere.

757. Seventy-five per cent. of the whole fund?—Yes, I think so.

758. (*Chairman.*) By "elsewhere" you mean in other securities allowed?—Yes, other Government securities.

759. (*Mr. Denman.*) In the history of life insurance has any solvent company ever known a run of claims?—I cannot answer that. I do not know anything about life insurance companies.

760. It is unusual for people to die in masses in a civilised country?—You might have an epidemic of cholera or plague or anything else. I cannot tell you what effect it would have.

761. An ordinary company would regard 5 per cent. of its investment in Consols as a luxury, would it not?—The ordinary company, I imagine, has a great deal more than 400,000*l.* to look after, and as I said the smaller the fund the larger the amount you must keep in Consols.

762. I take it that the ideal insurance security combines the maximum degree of steadiness with the highest obtainable yield of interest, because in life insurance you do not get these runs upon your capital?—I do not quite follow your question. You think that it is not desirable to keep so much money in Consols, as I understand your opinion?

763. Yes, and the point I was coming to was that of all Government securities, Consols are the most liable to fluctuation and the most expensive in yield. What I am also getting at is that there are different principles involved in investing Savings Bank funds, where you have gone outside the Consols area, and investing a life insurance fund?—The amount that you have to keep in Consols for the Post Office Savings Bank fund is a good deal above a quarter of a million.

764. Because the liability to a run on a bank is so much greater than the liability to a run on an insurance company. The comparative steadiness of a security like Local Loans is, quite apart from the rate of interest, a positive recommendation in its favour as against Consols for the purposes of an insurance fund?—I

Sir G. Hervey, K.C.B., and Mr. J. Blakey.

25 Nov. 1907.

think that the price of Local Loans stock goes up and down more or less, corresponding to the price of Consols. I have not any figures here to show you that, but I should say it did. The price of Consols is the security by which all the others are regulated. If the price of Consols goes up the price of the other securities goes up.

765. But to a very much less degree. Taking a concrete case, there is not the difference of 30*l.* between Local Loans in 1897 and Local Loans at the present time?—I do not know what the price of Local Loans was in 1897. The interest on Consols has dropped from 2¾ to 2½ per cent. If you take that into consideration you will find that there is not much alteration. You have lost a quarter per cent. of interest—5*s.* a year.

766. The interest was changed when?—In 1903.

767. Then Local Loans, if I recollect rightly, were about 99. Local Loans at the present moment are at 95. The average price of Consols throughout the year 1903 was 90⅞, and it is now 82?—Yes, 82 roughly.

768. And apart from figures, it is surely notorious that Consols are a very much more variable security than Local Loans, or let us say Transvaal 3 per cents.?—I do not know that I quite agree with that statement, but I am not clear, if I may say so, what that has to do with the inquiry.

769. What I desire to discover is on what principles we are to suppose that investment will be made in the future. We are limited to certain stocks?—It is the Act of 1864 which says it is to be invested in the same securities in which Savings Bank money is to be invested.

770. (*Chairman.*) Does the Act say what the authorised Savings Bank securities are; is there a definition?—The Parliamentary stocks or securities of the United Kingdom, I think, are the words of the Act.

771. (*Mr. Davies.*) Securities on which the interest is guaranteed by Parliament?—Yes, I think the words in the Savings Bank Act are "Parliamentary securities."

772. (*Chairman.*) It is of interest to know what is authorised?—I could let you have that.

773. (*Mr. Denman.*) However, you are not prepared to recommend to the Committee any principle upon which the selection should be made?—If it is decided to go outside Consols, the investment will probably be made in the security which gives the better price at the moment.

774. Who will decide whether the fund is to be invested outside Consols or not?—The National Debt Commissioners at present, and their decision would probably be settled by the Chancellor of the Exchequer.

775. It is "as they may think fit," is it not, in the Act; discretion rests absolutely with yourselves, does it not?—Yes, quite so, with the National Debt Commissioners.

776. And you cannot tell me upon what principle that discretion will be exercised. It is important to the Committee to know?—I think I have said that if it is decided to go outside Consols we should invest in the best paying security at the time.

777. Is there any likelihood of your deciding to go outside Consols?—If the Committee recommend, and the Treasury adopt the recommendations of the Committee, anything which imposes additional liabilities on the income of the fund, we must earn a larger income, and therefore we should necessarily have to go outside, but that probably would not be settled without communicating with the Chancellor of the Exchequer. I see no objection to going outside, if that is what you want to get at, provided that we keep a sufficient margin of Consols.

778. (*Chairman.*) And the decision with regard to that margin rests with you, I suppose?—*Prima facie*, but it would be a matter to submit to the Chancellor of the Exchequer. If he saw any reason for disagreeing with me he would tell me so.

779. (*Mr. Denman.*) The Savings Bank fund is frequently utilised for what I may call national objects?—With all respect, I do not think we can discuss the Savings Bank fund.

780. But is the insurance fund employed in the same way to a minor extent?—Really, I do not know if you have any right to inquire into such a question as that, sir. May I ask Lord Farrer if that comes within the reference to the Committee—how the fund is managed by the National Debt Commissioners. It appears to me that the discussion is getting a little irregular.

781. (*Chairman.*) I did not stop it before because I thought that we had a right to know in whose discretion it was?—*Prima facie*, mine, but I am subject to the instructions of the Chancellor of the Exchequer.

782. (*Mr. Denman.*) You said that it was under the direction of the Chancellor of the Exchequer?—The Chancellor of the Exchequer is a National Debt Commissioner.

783. Has he ever issued any instructions with regard to the investment of the fund?—The instructions would probably be given verbally to me. I do not know that there is anything in writing.

784. Statements of the condition of the fund are not submitted to Parliament, are they?—The valuation?

785. Yes?—The report of the valuation is made to the Treasury.

786. Is it then laid on the table?—No; the Treasury have not laid it on the table hitherto.

787. I have found a difficulty in getting figures as to the condition of the fund?—You are now, I think, in possession of those figures.

788. Do you make proposals to the Treasury as to the use to which the surplus shall be put?—It would be open to me to make a recommendation to the Treasury. The Treasury might settle the thing without any recommendation from me.

789. You cannot tell us in what way it is proposed to employ this present surplus of 77,000*l.*?—There is no surplus on the fund as a whole; there is a deficiency.

790. That is to say, that it would be absorbed in the deficiency on the annuities?—It is temporarily made use of to make good that deficiency.

791. (*Chairman.*) If we see fit to say, as I gather from your evidence is the case, that insurance is a tolerably profitable business and deferred annuities are not, would you see any objection to separating those funds. I do not mean now, but as a possible recommendation?—I should certainly not object. You want to keep each fund separately?

792. Yes?—Instead of having one fund, keep two.

793. Yes?—No, I see no objection. (*Mr. Blakey.*) I think there is only one fund. When it was first decided to grant insurances they linked the granting of deferred annuities and insurances together.

794. (*Chairman.*) They thought it was all one. In the early days of insurance they knew much less about it, I suppose?—(*Sir George Hervey.*) Perhaps the Committee do not know, but when the original idea was started in 1853 the man who had an assurance was also required to have a deferred annuity,

795. (*Mr. Cochrane.*) They were subsequently separated?—They were subsequently separated.

796. It would be interesting if someone could give us an opinion on the wording of the Act. The wording appears to be rather the other way?—We have always read it that way, and so has the Treasury. The question has never been raised.

797. (*Mr Davies.*) Mr. Denman was asking you something about friendly societies. That implies an increase of small business. Would it not be necessary, under the present distribution of loading, that a certain proportion should be observed between what we may call the ordinary insurance and the industrial?—(*Mr. Blakey.*) Would you mind putting the question again.

798. It really comes to this—if we have a large development of small business, say from 20*l.* downwards, is it not desirable that we should have at the same time an increase in the higher amounts, say 100*l.* upwards, otherwise will not the system of loading which is very low on small policies lead us to a loss?—

Yes, unless you have the loading on the small policies to pay the expenses of the small policies. If you take a portion of the loading of the big policies to pay for the small policies, there must certainly be a proportion between the two.

799. Just as the large account pays for the small one. If we are going to develop at the lower end in insurance it is desirable that we should also develop at the other end?—Certainly.

Sir George Hervey withdrew.

Adjourned for a short time.

800–2. (*Chairman to Mr. Blakey.*) We have had this morning the question of investment of the fund. With regard to trustee securities, you have not to deal with the question of what securities?—No, I think not.

803. Now we come to the present state of the fund as disclosed by the last quinquennial valuation. That is one point that you might tell us something about perhaps. Have you anything special to remark on that valuation as compared with previous ones?—No, it was done on the same principle as the previous valuation.

804. A single date?—Yes.

805. The value of the securities on a Stock Exchange List of a certain date?—Yes, the date of valuation.

806. Are the values taken from the Stock Exchange Official List?—We have the average price of Consols sent over to us daily from the Bank of England, and we take that price.

807. That is the price that appears in the Official List?—Yes, we take the market price of the day.

808. There is no other security that you have anything invested in with regard to this fund?—None whatever.

809. The disposal of the surplus Sir George has dealt with, I think?—Yes.

810. The legality of the payment of the 30,000*l.* has also, I think, been pretty carefully dealt with; that has nothing to do with an actuary?—No. It all depends on the point whether there is one fund or two funds. I am strongly of opinion that there is only one fund.

811. The method of valuing the securities has been to take the price on a particular day. Would it have made any particular difference to your valuation of Consols if you had taken an average, say of one day in each month?—No, not for that year, I think.

812. We know that over a period of years there might have been some difference in the valuation?—Considerable. I might say that the price at the date of the valuation was $89\frac{5}{16}$.

813. As against 82 to-day?—As against 82 to-day.

814. What difference would that make to the insurance fund. That we could calculate ourselves?—The amount of Consols at the time was 370,650*l.* Those were valued at $89\frac{5}{16}$, and taking whatever price one would like to put on you would see what the difference would make.

815. With regard to this vexed question of with profits, I take it from what you said this morning that you regard the question of reducing the premium as practically the same as adding to the amount given; is that so? Do you think that it has the same effect to the outside world or not?—It would have the same effect, because reducing the premium is merely one way of dividing profits. In an insurance company, for instance, you can have an addition to the sum assured or you can have your premium reduced. If we reduce the premiums in the case of the Post Office it would be a way of dividing profits.

816. I suppose that the chief difference is that it is a very much more laborious thing to get out a new table than to distribute a sum of money in the form of pounds, shillings, and pence?—No, I do not think there would be much difference in the trouble.

817. Do you mean to say that you have contemplated a with profits system under which (I take that because we have been speaking about it), say at the end of a year or five years, you showed a surplus, and would say for the next five years you will not have to pay so much on each particular investment?—No, my own opinion is that we could not have a system of with profits at all. I do not think it would be desirable to say that the tables were granted with profits, because the insured would look forward to receiving something which they possibly might not get.

818. I take it you mean that the Government's business is not to speculate in any form?—Yes, that is so.

819. I ought to say that I have not had time to think it out in my own mind. Is that quite the same as saying, "If there is a surplus you shall have it"?—I do not think you ought to say, "If there is a surplus "you shall have it," but I think it remains with the Government if there is a surplus, and you are able to reduce your rates, to do so. I do not think you ought to give the insured any idea that the system is with profits at all.

820. But yet you say that an intelligent man would see that if the premium is reduced it is the same thing. I confess that to my mind it does not seem to me that there is any very great difference between the two?—No. The difference, I take it, is this: If you have a table saying, "This is with profits," the insured looks forward to receiving something. If you have a table as at present, and we find on valuation that there is a surplus, and that that arises, say from people living longer than was contemplated by the tables, it would be possible for you to reduce your rates in future. It is not the same thing as a with profit policy. In an insurance company on a with profit policy there is an addition made to the premium for the profits, but here we are making no addition whatever.

821. Is that universal?—I think so.

822. That is to say, they pay a little more for speculating on a good investment that the insurance company may make for them. With regard to the Government, you think that we ought to have an absolutely fixed business?—I think so.

823. On the other hand, you have had a very considerable sum to distribute. You are of opinion that that sum should be applied, as far as possible, to the benefit of the fund?—No, I should not say that. On the one hand the Government under that Act of 1864 takes the surplus, and on the other hand it guarantees any loss that there may be.

824. But I presume that if you have, as any ordinary business would have, a reserve, subject to the tables being alterable, you never need have a loss on your Government system unless some calamity were to occur so great that it would involve the whole system of credit of the world?—There might be a loss, supposing that people died off earlier than you contemplated.

825. You mean if the actuaries made a mistake?—If the mortality was greater than was covered by the tables, there might be a loss in the fund.

826. You do not contemplate that making it so extraordinarily secure as this would have the effect of practically making it not available to anybody because the terms would be so high?—No. I think that the Government ought to reduce their terms to what would just cover the cost and the expenses. There should not be a profit for the Government at all.

827. Nor a loss, if possible?—Nor a loss either.

828. Those are the ideals of all of us in everything?—Yes.

829. It is merely a question then of application of the surplus, upon which there might be a difference of opinion?—At present there is no surplus. That is getting back to the old story.

830. Do you mean that if you valued to-day there would be a loss?—No. On the present valuation of 1905 there is a loss on the fund.

831. You speak of the fund. I speak of the life insurance?—The life insurance portion shows a surplus, and the other shows a deficiency.

832. That is your view of how the fund should, as far as possible, be administered. Are you speaking now purely of life insurance or of the fund generally?—Of the fund generally. I think that when the fund was started in the first instance, it was contemplated that

Mr. J. Blakey.

25 Nov. 1907.

the loss in one direction would be set off by the gain in the other.

833. That I do not profess to know anything about?—If a man lives long he gains over his annuity, and if he dies early he gains over his insurance.

834. I suppose that since 1864 a good deal has been learned about insurance?—Yes.

835. Is there any actuarial difficulty in your opinion as regards the question of whether the surrender values should be applied to keep up premiums?—No difficulty whatever. It is a mere matter of the expense of doing it.

836. Whether it is worth it?—Whether it is worth it. The system of applying the surrender value to keep up the premiums is merely a variation of the method of giving a cash surrender value. At one time the companies did not allow any surrender value. If a man did not keep up his policy it fell through.

837. Is that comparatively recent?—All the tendency of later years has been to give greater advantages to the insured.

838. Especially with regard to loans, and all this is a part of loans and surrender value?—Yes, this is practically a loan on the surrender value.

839. There is no objection actuarially to doing that?—No, no objection.

840. But on the question of whether surrender values are at present too high, what do you say?—I have got out a few figures about our present percentages. For whole life it is, say from 60 to 70 per cent. of the premiums paid.

841. I presume that the question of whether a surrender value is or is not too high is purely an actuarial question which an outsider can have very little knowledge of?—Perhaps I might explain it in this way: in our case we give what we call the reserve value. The surrender value is the amount we hold in reserve.

842. You hold it in reserve for whom?—A man pays a bigger premium say for the first few years than what the risk warrants, and we take the excess of those earlier years, and that is accumulated say for five years or whatever it may be.

843. Is that supposed to be actuarially sound on general actuarial principles?—Yes. That is the amount you should hold in reserve, because the value of the reversion is greater than the value of the man's future premiums.

844. What I meant was, do you think that on the whole your present system is actuarially sound?—Yes.

845. And that the value is not too high in fact?—Not on that principle. We do not deduct anything from a man's contribution at all. An insurance company would take the reserve value, but it would make some deduction from it.

846. They would try to make some money out of it and you do not make anything out of it?—We do not make anything out of it.

847. Is that put forward by the Post Office as one of the advantages?—I do not think so. I have never seen it put forward.

848. It is a most astonishing thing, is it not, that it should not be, because you have every sort of advantage put forward by the insurance companies?—I think that the Post Office would hardly put that forward, because that would be an inducement to a person to give up his policy, and I take it that what they want is for him to continue it.

849. They put a certain fine on a man for surrendering, and you do not?—We do not.

850. And it does not cost you anything to do that?—No, but we make nothing out of it.

851. You make nothing out of it, but do you lose anything by it?—No, provided that the man has paid the expenses of the policy.

852. Which you say he does as a rule in the first few years?—In the case of a small policy I should not think that he has paid the expenses.

853. I think that that is all I wish to ask you. Is there anything that you wish to say on the general question?—There is only that point about the 200*l.*

854. The limit?—Yes. I do not see any objection myself to going up to 200*l.* When you go above 100*l.* you enter into competition with the ordinary companies, because every insurance company will grant you a policy for 100*l.* and over.

855. You are rather more competitive with companies then. There is no company, I presume, that limits itself to 100*l.* now or anything near that?—I do not think so.

856. Nor to 200*l.*?—The limit with regard to industrial companies is fixed at 200*l.* by the Act.

857. I am ignorant of these things. I did not know that. *Pro tanto* the difference in competition is between 100*l.* and 200*l.* You are competing with them up to 100*l.*?—Yes.

858. And you see no actuarial or business objection, from your point of view, to the extension of that to 200*l.*?—I do not think that there is any objection. When you are below 100*l.* you are competing with the industrial companies.

859. But you are below 100*l.* now?—Yes, just so.

860. Therefore, that competition exists?—That competition exists. At present you are in competition with the industrial companies. If you go above 100*l.* you enter into competition with the ordinary companies also.

861. Have you ever heard that there is some demand from people who are insured now for going a little higher, as we heard this morning?—With the Government?

862. Yes, with the Government?—No, but I should not be surprised to hear it, because some people would prefer the Government guarantee to any other security.

863. Apparently that is given as the reason for the fund existing and continuing as it has done without any serious loss, because there are a certain number of people who wish for the security of the British State?—Yes, and if you wish for the security of the British State, you must pay for it. From Consols you get a less rate of interest than from anything else.

864. On the general question there is nothing else?—I do not think so.

865. (*Mr. Denman.*) Perhaps it would be well for the Committee if you would just put on record the present methods of loading. You have different systems of calculating the loadings on different valuations of policies?—Yes. Shall I read them out?

866. If you will, please?—The present method is, to single premiums an addition of 2 per cent. of the net premiums. An additional charge of 2*s.* is made for each separate contract under 50*l.*, that is, for single premiums. To annual premiums for the insurance of 5*l.* and under 25*l.* an addition of 4*d.* for each 5*l.* insured; to annual premiums for the insurance of 25*l.* to 100*l.*, an addition of 5 per cent. to the net premiums.

867. (*Chairman.*) May I ask on that, whether that is what the National Debt Commissioners charge the Post Office. Have you sent in a bill for that, as it were, to the Post Office?—No. That was framed in 1896. I think the Post Office furnished figures showing that those rates of loading would about meet the expenses.

868. I am sorry to interrupt, but is that charged between the Departments?—No.

869. Do you keep the whole account?—No. I might explain it in this way; we get out what would be the risk—the chance of a person dying—what you may call the net charge—and then put something on to that for the expenses, and this is the loading that we put on for the expenses. That is the premium charged to the insured.

870. That is what makes up your table, charging so much per 100*l.*, or whatever it may be?—Yes; so much for the risk and so much for expenses.

871. (*Mr. Denman.*) Do you think that that system of loading is satisfactory?—The effect is that for very small insurances they pay more in proportion than the

large insurances, but I doubt whether they pay the cost attached to them.

872. It is quite clear, I think, that the 5*l.* policy costs more than 4*d.*, is it not?—Yes.

873. Would you prefer to have tables in which each policy was self-sufficing, or to continue the present system by which, on the average of the whole, the policies do pay their way?—The theoretically correct system would be that each policy should pay its own expenses, but I think that in that case the premium would be so much that people would not come. It would be hardly practicable.

874. It is difficult to justify the granting of a 5*l.* policy at a rate which clearly does not pay its way, is it not?—Yes.

875. Unless one could show a strong national advantage in doing it. I suppose that it would materially alter the nature of the business that the Post Office does if the tables were revised so as to make each policy self-sufficing?—The effect would be to increase the charge for the smaller insurances considerably.

876. Could we decrease the charge for the higher ones very appreciably, do you think?—I do not think so, because the expenses of the Post Office now are just about covered by the loadings of the premiums.

877. If we raised the loading on the small value policies, could we decrease the loading on the higher value policies?—Yes, provided that the loadings from the two together were equal to the expenses. Of course, there are no means of finding out exactly what the expense of one insurance is compared with another.

878. Is that so. Are there no figures available to show the relative expense of the issue and the maintenance of a 5*l.* policy as compared with a 25*l.* policy?—I do not mean that exactly. They know the preliminary charges, and I think that a very close approximation can be got to the relative charges on the two policies.

879. Do you remember the preliminary charges upon a 5*l.* policy?—That is, I think, more a question for the Post Office. I think that the cost of a small insurance is relatively higher than the cost of a large one.

880. Yes, that is bound to be so, necessarily?—The expense of issuing the 5*l.* policy is pretty well the same as that of one for 100*l.* and the cost of collection too.

881. You have the expenses put before you in calculating the table, I suppose, have you not? Are they supplied to you by the Post Office?—It was done by a committee of the Treasury and the Post Office and our office, and some arrangement was come to as to what loading would meet the expenses, and the net premiums were loaded accordingly.

882. As far as you are concerned, do you think that the present system of loading is satisfactory?—It is a workable system, that is as far as I will go.

883. It is not theoretically satisfactory?—No. What would be satisfactory would be that each class of policy should pay its own expenses.

884. You keep an eye on the question of whether the thing pays its way as a whole?—Yes, both as regards the risk and the expenses and the loading to meet them.

885. (*Chairman.*) I want to get at who is the watch dog in this respect of the public—the British Exchequer. You are the watch dogs and call attention, if necessary, to the fact of a thing not paying?—Yes, that is the object of the valuation every five years.

886. (*Mr. Cochrane.*) Who is the guardian of the public purse in this matter?—The valuation is made by the National Debt Commissioners, and is sent to the Treasury. They have the report and the valuation, so I take it that the Treasury are the guardians of the public purse.

887. (*Mr. Davies.*) To finish this question of loading; the National Debt Office acts under the explicit direction of the Treasury in adopting this system of loading, does it not?—I should think it was not exactly under the direction of the Treasury, but more after consultation with the Post Office.

888. Mr. Denman's point really was that you are not charging enough for loading on the small policies, and that the loss on them is met out of the higher charge on the bigger policies?—Yes.

889. And he asked you whether an ideal system would not be self-supporting all through?—Yes.

890. But the actual system of loading which is adopted is that laid down in the Treasury Minute of the 7th September 1883, is it not?—Yes, I expect it is, but I could not say for certain.

891. The Treasury really considered this question, whether it was right that the small policies should not be self-supporting, and they said this: "As the cost of "an insurance is practically independent of its amount, "a fixed charge on each sum insured is in theory the "juster method, but this would impose a propor- "tionately heavy burden on the smaller insurers, and "would discourage small additions to already existing "insurances." Having laid that down, the Treasury proceeded to prescribe the present method, which really makes the bigger ones pay for the smaller ones?—Yes.

892. So that the particular point raised by Mr. Denman is one which has been considered in all its bearings, and settled in this way?—Yes. That, I take it, was on the recommendation of the Departmental Committee which sat at that time.

893. It is the Treasury Minute really on the Committee of 1882. No new conditions have arisen as between large and small insurances since the present method was laid down?—No.

894. I should like to go back now to valuation. Who was it that decided that the price at the last day of the quinquennial period should be taken in valuing the stocks?—That has been taken for many valuations in the past. I suppose it would be the actuary for the time being of the National Debt Commissioners.

895. The method has never been varied. Ever since the establishment of the fund, that has been the rule?—I expect it has been left to the discretion of the actuary at the National Debt Office.

896. Is it considered at the National Debt Office that it is open to them to adopt some other method of valuation as regards the assets?—Yes.

897. Then may I take it that the National Debt Office have seen no reason to depart from that practice?—Yes, you may take it in that way. There was no reason, although the present method brings out a deficiency, for altering the system which has been in force for so many years, owing to the fact of its doing so.

898. Taking the 31st December once every five years may sometimes show a large surplus and sometimes a large deficit?—Yes.

899. That is the method which was formerly applied to the valuation of the assets of the Savings Bank fund, is it not?—Yes, it is.

900. But in view of the inconvenient results to which it led, it has been discontinued as regards the Savings Bank fund?—Yes.

901. The reason given for the discontinuance of that method in the case of the Savings Bank fund was that it really was impossible to produce a satisfactory balance sheet on the old lines. Do you consider that a method which has had to be abandoned in the one case can be defended in the other?—Yes, I think so.

902. Would you mind saying why you think so?—The real price that you should take in a valuation is the average price which is likely to be obtained during the currency of the contracts in the next twenty years, for instance. If you knew the average price at which Consols would be, you would take that price in your valuation. That would give you the exact rate of interest, and if you came to sell your Consols, the exact amount you would realise. Taking the market price, of course, is open to objections like taking any other price, but it does show a particular thing. If you discount your reversions and your future premiums $2\frac{1}{2}$ per cent., and take the value of your assets at the price on a particular day, it shows the exact position of the fund at that day on that basis.

Mr. J. Blakey.

25 Nov. 1907.

903. Yes; but it is quite possible that the particular day that you are obliged to choose may be absolutely abnormal?—Just so.

904. (*Mr. Cochrane.*) May I ask on that, is it on one day at the end of the quinquennial period, the 31st December, or is it the 31st December for each year during the quinquennial period?—No. We take the exact amount of Consols held on the 31st December 1905, and the price on that particular day, and give the value accordingly.

905. Not the actual value during the currency of the quinquennial period?—No. That is one period You could arrive at a valuation on that basis, and take the average price during the quinquennial period preceding.

906. (*Mr. Davies.*) Supposing that, through some accident of the market, Consols had on the 31st December 1905 been so high as to show a very large surplus on the combined annuity and insurance fund, would you have felt justified in saying that the annuity business was now a success?—No. You never take Consols above 100.

907. You never take them above par?—Never above par; you would not be earning the 2½ per cent. interest, which must be earned having regard to the accumulation of premiums.

908. But you have bought a very large portion of the Consols above par?—Yes; that we were obliged to do. We had the money to invest, and had to buy them at the market price.

909. Perhaps that is more a question for Sir George Hervey?—No, I do not think so. When you value at the market price the Consols bought at a higher price, there is a loss in the valuation. You have to write off from your assets so much owing to the depreciation of the security, but taking the market price gives the exact value of your assets on that day. If you valued at an average price, 85 or 90, or whatever it might be, it is easy to see what the deficit or surplus would be.

910. You make a valuation on the 31st December which might be very materially altered by a change on New Year's Day?—No, they do not jump about from one day to the other in that way.

911. Do you know what the practice of insurance companies is with regard to valuation of securities?—Yes, I think so.

912. It would be very interesting to the Committee to hear what that is?—Some companies value the Stock Exchange securities at cost price when that is lower than the market price, and write down to the latter price when the cost price is higher. Others take the actual market price on the date of the valuation, irrespective of the cost price, or the average market price of the preceding year or of two or three years. Another method is to retain the cost price, even if it is higher than the market price, when the depreciation is considered to be due to temporary causes. In this case, however, the company would already possess an ample investment reserve fund, or would carry the difference in value to such a fund from the assurance fund in order that the amount should not be treated as surplus available for distribution.

913. Would it not be open to the National Debt Commissioners to adopt that method of valuation?—There is no investment reserve fund at present, and with the present prices I do not see how we could get one.

914. If that method had been in force in 1887, would the 30,000*l.* that was cancelled have been put into a reserve fund?—In 1885 Consols were at 99½. That was the price at which they were valued then.

915. That showed a surplus?—That showed a surplus of about 49,000*l.* out of which the stock was cancelled. From 99½ in 1885 Consols dropped about 10 points down to 1905.

916. So that if it were your method to value them at the price paid, that 30,000*l.*, I take it, would have had to be assigned to depreciation which had already come off. A very large part of the stock before that was bought above par, was it not?—Before 1885?

917. Yes, before 1885?—No. It is only in later years that stocks have been above par.

918. Before 1885 they were bought favourably?—They were bought favourably I should say.

919. Then although the rate of interest earned has been so low, a surplus has been achieved and the bulk of that surplus apparently must have been due to favourable mortality?—Yes, that is so.

920. Would you say that the whole of it was due to favourable mortality?—Yes, I should say the greater part of it. There is nothing from the loadings and nothing much from interest, and those are the only sources.

921. The surplus, then, is really due to favourable mortality?—Yes.

922. The tables you use are the "H^m" tables, are they not?—Yes.

923. Have you considered whether, in view of the favourable mortality, you would now be justified in adopting what are known as the "O^m" tables?—It would make very little difference—the "O^m" and the "H^m" do not vary very much. It would be hardly worth while altering the tables on account of the difference in mortality.

924. Can you say, roughly, what it amounts to; is there not about a 1*d.* in the 1*s.* in it?—In the 5*l.* at death I should say there is about a 1*d.* per premium, and in the 100*l.* at death it is more in proportion.

925. I take it that the slight advantage that there would be in adopting the other tables is one that the National Debt Office would feel justified in giving to the insurers?—The difference is so small that I do not think it would be material either way.

926. You have no objection, except on the ground of its not being worth while?—No, on the ground of its not being worth while and provided that there is a surplus to allow of it.

927. The surplus on the insurance fund grows really because the mortality amongst insurants has been still lower than that amongst annuitants?—Yes. The mortality has not accorded with the tables.

928. Yes?—In both cases it has been too little.

929. It really comes to this—that the public live longer than is assumed, whether they are insurants or annuitants?—Yes, taking the tables. With regard to the profit from mortality the tendency now is to take out endowment insurances. In endowment insurances there is not the same scope for profit from mortality, and therefore I do not expect that in future the gains from that source will be quite so large as they have been in the past, because there is not the time over which you can get the benefit.

930. No, precisely. Would you consider that the Government would be justified in raising the life insurance premiums in order to meet the loss on the deferred annuity business?—No.

931. You consider that they would not be justified?—I do not think they would. It would not act in practice, either. If you raised the premiums you would get no business.

932. And yet you hold that the insurants cannot be allowed to participate in the insurance surplus, because of the loss on the deferred annuities?—That is according to the Act of Parliament.

933. So that, although you regard it as one fund, you would not consider it right to make additions in one direction to meet deficiencies in another?—No; because in practice you could not possibly raise your premiums in order to cover the deficiency on the deferred annuities. It would have no effect in practice. People would not take your insurances.

934. But you can do the same thing. If it were not for the loss on the deferred annuities, you would be willing to lower the life insurance premium?—If there was a surplus on the fund, as a whole, we should be willing to lower the life insurance premium. I think that that is clearly contemplated by the Act of 1882.

935. I am not disputing the legal aspect of it; but there does seem to be a slight paradox, does there not—that though the life insurance business may be healthy and flourishing, the persons insured cannot have the benefit because the annuity business is not healthy and

flourishing?—I do not think that until that time (1882) it was ever intended that they should have any benefit.

936. Circumstances have arisen which were not foreseen when the present conditions were laid down. You put it in that way?—Yes.

937. And those circumstances tend to the prejudice of the life insurance part of the business?—They do in practice. I think that when the business was first started, years ago, it was considered that the balance of mortality one way would be a set-off against the other, and that was the reason why the deferred annuities and insurances were placed in one fund.

938. (*Chairman.*) Were not the deferred annuities and the life insurance about 50 years ago considered very much the same thing. The differentiation of insurance business had not risen to the point that it has now?—They were always very chary about granting life insurances, and when it was first mooted they thought they could get over the difficulty, by making a man purchase a deferred annuity as well.

939. (*Mr. Davies.*) The long-lived annuitant is at present prejudicing the long-lived insurant?—There was one thing I was going to say on the question of surrender values, and that is that the great number of the Post Office insurances go off by lapses and surrenders. Taking the insurances in the six months ending September of this year, for instance, about half were necessary to replace insurances which fell in by lapses and surrenders.

940. I am coming to surrender values now. You say that the amount of surrender values given by the National Debt Commissioners compares very favourably with that given by an outside company?—It is considerably higher.

941. And so far nothing in the way of public announcement has been made of that advantage?—No, and I do not think it would be desirable to advertise to people that it is to their advantage.

942. I quite agree with you that there are very strong objections to inducing people to surrender. Then you state, I think, that under the system adopted, the Government does not lose provided that the man has paid the expenses of his policy?—Yes.

943. Is it suspected at the National Debt Office that there are a great many cases in which there is actual loss over the amount of surrender value awarded?—No, except from the expenses.

944. But the loss to the fund comes to the same thing whether it is due to not covering expenses or to any other cause?—Yes, but I do not see very well how you could give to a man insured for 20*l.* a smaller amount in proportion than to a man insured for 100*l.*

945. I have here a page of surrender values taken at random of insurances above 25*l.* and under 50*l.* In all these cases there are initial expenses amounting to about 12*s.* 6*d.*:—Medical fee, 5*s.*; commission to the men who bring the business, 3*s.*; stamp, 6*d.*; allowance to the Post Office, 3*s.* 6*d.*; transaction at the Post Office, 2½*d.*; National Debt Office charge, 4*d.*—that amounts to 12*s.* 6½*d.* Now, on this page of expenses, taking the first one, the man had paid 2*l.* 12*s.* in premiums. It would be, I take it, within about two years of effecting the insurance. There would be different ages. The amount insured was 32*l.* 10*s.* The Government had received from him 2*l.* 12*s.* only, and he surrendered his policy, and the National Debt Office gave him 2*l.* 1*s.* 6*d.*; that is to say, refunding all but 10*s.* 6*d.* of what he had paid. In that case we were left short of the initial expenses of 12*s.* 6*d.*, and there had been subsequent transactions bringing the actual expenses up to 14*s.* 2*d.* So that in that particular case the fund lost 3*s.* 8*d.* I do not think that we took into account the cost of purchasing the necessary Consols. I am taking only expenses that we know of at the Post Office. This is a typical case. It is not by any means the worst case on the page. I took it as the first. The National Debt Office assesses the surrender value, I take it, on a certain principle?—Yes.

946. The difference between, I suppose, the present value of the sum insured and the present value of the future premiums, or something like that?—The future value of the net premiums. I may say that in this case we work on the net premiums, and we do not make any allowance for expenses whatever.

947. (*Mr. Cochrane.*) Do you not?—No. The expenses are thrown off, and we work on what are called the risk premiums.

948. (*Mr. Davies.*) Really you assume that the loading, added to the net premiums, will clear the expenses?—Yes, practically.

949. If a policy is surrendered within a few years before that has been done you are bound to incur loss?—Yes. We always give the proportion. For 20*l.* it would be one-fifth of that for 100*l.*

950. I take it that up to the point at which you bring out the surrender value the line is actuarially sound, but it suggests itself to me that, having arrived at that amount, you ought to inquire whether the fund will be out of pocket if it gives that sum back to the insured?—Do you mean that in each case we should make an allowance for the amount of additional expenditure not provided for?

951. Yes?—That would be larger in the case of the smaller insurances than in the case of the large ones, and in some instances it might happen that there would be no surrender value whatever.

952. That does happen. The companies, I take it, calculate the surrender value in the same way that you do, and, having arrived at that amount, they say: "Yes, "but this man has put us to so much expense for "commission, office expenses, and so on. Before we "refund him this part of his premiums, we will also "deduct the clear out-of-pocket expenses"?—The companies as a rule do not allow surrender values until after two or three years; and then they give, say, from 30 to 50 per cent. of the premiums actually paid, less the first premium. They do not allow anything on the first premium, because that is supposed to cover the initial expenses of the business. But we do not do it in that way.

953. The next question I should like to ask is why you do not do it in that way?—Because it has been considered advisable that the insurant shall get back all the money that he has paid over and above the risk which was run in case of his death. We take no account whatever of the expenses, but we only take account of the actual probability of his dying.

954. (*Mr. Denman.*) Your system is simply assuming that the loading does cover expenses?—Yes, just so.

955. (*Mr. Turpin.*) You do not assume that the loading covers expenses, do you?—It is practically assumed. We do not work on the office premiums. We only work on the risk premiums, and if for the risk of two years a man has paid more at the end of the time he gets it back. We do not take into account the expenses at all.

956. (*Mr. Denman.*) Taking the loading over the whole, you find that it does pay?—We find that the loadings of the premiums over five years amount to the expenses during those five years.

957. (*Mr. Davies.*) Do you think that from a business point of view it is defensible that a surrender value should ever be given at a loss to the fund in any single instance?—No, I do not think so.

958. You do not think it is?—No.

959. I agree with you.—Of course, if you grant a small insurance at too low a rate of loading it is quite as indefensible as these cases of surrenders.

960. (*Mr. Cochrane.*) You should surely take into consideration the expenses?—But you give the small insurant the same benefit.

961. You give the surrender value to anybody who applies for it, and, in doing so, are you incurring a loss over all the surrender values that you make?—No, there is no loss, except what arises from the portion of the premium which should go in expenses.

962. You lose to that extent?—We lose to that extent.

963. You could not live on giving surrender values if you had to pay the expenses?—No.

Mr. J. Blakey.
25 Nov. 1907.

964. It is a loss to the country?—It costs more than you recover from the man who comes for his money.

965. It costs you something to give him the surrender value?—Yes, if he has not paid the expenses.

966. So that it is different from the case put?—If it is agreed that the insurants for 100*l.* pay more than they ought to, you get it back in the excess there.

967. (*Chairman.*) Have the companies higher surrender values for the low grades than you have?—I do not think so. The ordinary companies state that after three years, for instance, they will give you 30 per cent. of the premiums paid with the exception of the first one.

968. That is a different system altogether?—That is a different system. They give nothing like the values that we give: but I fancy this system of giving the net surrender values has been in force ever since the system was started.

969. (*Mr. Davies.*) I think that that is so, but it is never too late to mend. The moral I want to bring out is this: we are not allowed to apply the surrender value to help a man to pay his premiums if he is temporarily in difficulties?—No, there is no regulation at present.

970. We should require legislation in order to do that. Therefore, if the man cannot maintain his premiums we force him to surrender his policy?—No, I do not agree there, because you can give him a paid-up policy for the amount. He is not obliged to take the money.

971. There is that alternative certainly?—The system of applying a portion of the surrender value to keeping up the premiums is really keeping the full amount in force temporarily; whereas giving a paid-up policy is keeping a reduced amount in force permanently. It is a mere variation, I take it.

972. But when a man goes to an insurance office and says, "I cannot continue my premiums at present, "but I shall be all right in the course of twelve "months," the insurance office advances his premiums out of the surrender value and charges him something for the accommodation?—Yes.

973. It makes a profit and obliges its client at the same time?—The profit depends upon the rate of interest they charge for the advance.

974. Quite so. The State, on the other hand, is not able to oblige its client, who would be forced to the alternative of surrender?—Or taking a paid-up policy.

975. I am dismissing that, because the usual thing is surrender. By giving a surrender value on this liberal scale it refuses, on the one hand, a profit and incurs on the other hand a loss, and the two added together seem to be very bad business for a fund. Is not that so?—I should say that, from the point of view of the insured, the reason why a man gives up his policy, as a rule, is because he wants the money, and in most cases he would prefer to take it instead of having it continued, charging him a rate of interest for the advance. In principle there is no objection to that that I can see, except that in the case of small policies the expense of the calculation and the trouble would be considerably more.

976. Is the process of calculating these surrender values an expensive one, or is it done by a table?—It is done by a table. We have the tables calculated, and I have them here. There is no trouble about calculating whatever.

977. If it is done by a table, would it be possible for the Savings Bank to assess a surrender value from the table instead of referring applications for surrender to the National Debt Office?—Yes, if that was the law; but I think according to the Act they must come to the National Debt Office. I do not see any objection to it if it is a workable proposition. I do not know whether, with these small insurances, it would be advisable to institute such a system as applying the surrender value to continue the policy.

978. That, of course, would be a matter for legislation. That is only interesting in so far as it makes us refuse a possible advantage to the fund?—Yes.

979. The surrender values then are calculated from a table, and might, if there is no point of principle in it, be made out by the Savings Bank, saving the expense of reference to the National Debt Commissioners?—Yes, if there is no point of principle. In the case of any involved calculation which was not in the table it might be necessary to come to us.

980. I certainly should propose to deduct the actual expenses, and not give the insured person the benefit of this?—But would you take each particular case and deduct the actual expenses incurred?

981. Yes, without any difficulty, I think?—Is not that contrary to the system of averaging the expenses over large and small policies? In this case you handicap the man with a small amount of insurance. He would receive considerably less in proportion than a man with a large insurance.

982. There is no reason at all, is there, why any person who surrenders his policy should leave the fund out of pocket?—No.

983. There is no reason why the fund should part with any money until all its demands are satisfied?—No.

The witness withdrew.

Mr. C. D. Lang, C.B.

Mr. C. D. LANG, C.B., called in and examined.

984. (*Chairman.*) You were kind enough to offer to give us the benefit of your long experience of the Post Office Life Insurance system during your tenure of the post of Controller of the Savings Bank?—Yes.

984A. Do you think that in order to popularise the Post Office system among all classes, it will be necessary to increase the maximum limit?—Yes.

985. 500*l.* has already been proposed in a Parliamentary Bill. You do not think that this is too high a figure. You think that in any case the maximum should not be lower than 300*l.*?—Yes.

986. This, you think, would result in a large increase of business which would be more lucrative, and would, in consequence, assist the insurance fund?—Yes.

987. You are aware, of course, that that would require legislation?—Yes.

988. With regard to the revision of tables, these are at present prepared under section 5 of the Government Annuities Act of 1882?—Yes.

989. In 1896 was a new set issued in lieu of the tables of 1884, these tables being computed under a more favourable mortality table, and extending the principle of endowment assurance by means of annual premiums to the ages of 55 and 65?—Yes.

990. Do you think it very desirable to extend this principle of endowment assurance by means of annual premiums?—Yes, I do.

991. The present limits of age, 55, 60 and 65, do not go far enough—that is, far enough backward?—Yes.

992. You think that tables for payment of insurance after 10, and every five years up to 65, should be provided. They would be very popular. That is your opinion?—Quite so.

993. Would that need legislation?—Yes, I think it would.

994. With regard to "with profits" tables, I will ask you a question. Do you think that as "with profits" tables are much in use in all insurance companies, with a very large percentage of the public insuring under them, especially in the Colonies, you would strongly recommend their introduction here?—Yes.

995. You heard, I dare say, Sir George Hervey's evidence to-day of the difficulty of the Government speculating. Perhaps, as that is so important a point, you will tell us how you would meet that?—I think that you should have two sets of tables, undoubtedly. That is the case in ordinary insurance companies. If you insure under the "with profits" system you pay a higher premium.

996. It, I suppose, to some extent rests on the securities that can be invested in, whether or no there is a sufficiency of profits. You do not think so?—I do not think so at all. You insure distinctly with profits under a certain table, and pay a higher rate of premium.

997. The investment of those funds to some extent limits the amount of profits that you would receive from them?—I do not see that. If you pay a higher premium, you pay more; that is invested accordingly, and there must be a larger profit attached to that table.

998. There is the question of what you define "with profits" to mean. If you only mean that you get larger benefits by putting in a greater sum of money, that is one thing. Is that what you mean?—I mean that, certainly.

999. Not that, if the speculation has been a good one, you will receive more money?—No, I do not think that is sound at all.

1000. All that you mean by a "with profits" table is that you should have the power of getting more money by paying rather higher premiums?—Yes.

1001. That is simply a question of interest on investment?—Exactly.

1002. Then we come to the question of insurance without medical examination to an amount at the present time limited to 25*l*. According to your experience, do you think there is very little risk in an increase to 50*l*.?—I think there is very little risk.

1003. Would the safeguards adopted by the Department practically secure the fund from any loss?—Yes, I think so.

1004. Would that need Parliamentary sanction?—Yes, I think it would.

1005. Do you think that the non-medical contracts might provide for half-benefit after six months, and full benefit after payment of the second annual premium?—Yes, I think that that would be a great advantage.

1006. Would that be safe, in your opinion?—Yes, I think so—with the precautions which are taken.

1007. Is the person so insured at present only entitled to the full amount after two years, and half between the first and second years?—That is the present arrangement.

1008. Is the present age limit for insurance 14 to 65 for the full amount of insurance, and for children from 8 to 14, 5*l*.?—Yes. I think that that might be reduced to 5 years for the full amount.

1009. That would also, I suppose, require Parliamentary sanction?—Yes, I think so.

1010. Do you anticipate that that would increase the business, or be a facility?—I think it would be more a facility. It might increase the business too.

1011. In your experience, have you ever known people to ask for their families to be insured?—Yes, we have had applications.

1012. With regard to children under eight?—Yes, we have had a good many applications with regard to children under eight.

1013. Do you think that the present form of proposal is too cumbersome, and alarms intending insurers?—I think so, certainly. I think that the present form is inquisitorial and frightens intending insurers.

1014. You agree with Mr. Batchelor's evidence, which, perhaps, you have not seen?—I saw a summary of it. I quite agree with it.

1015. Do you think that insurance contracts granted after medical examination might be made world wide in their application; that is, free of all restriction as to travel?—Yes, I think it would be a great facility.

1016. The fact is that probably it would not cost more than it does now?—No, practically nothing more. The small additional premium does not pay the Department for collection.

1017. Before payment is made, must a certificate from the Commissioners of Inland Revenue of the payment of estate duty, or a certificate that no succession or legacy duty is payable, be first produced?—Yes.

1018. Does that often necessitate long delay?—Great delay. It is very much complained of by the representative of the depositor.

1019. Do you consider that in the case of insurances not exceeding 50*l*. the Department should have the power to pay the nominee immediately upon proof of title?—Yes, I do entirely.

1020. Then we come to the insurance fund. Is this fund wholly under the management of the National Debt Office?—Entirely.

1021. Owing to the limited area of the investments, is the income of the fund small, and does this necessarily act unfavourably on the premium tables?—I think it must do so, of course.

1022. Do you suggest an extension of this area, and the use of some of the more lucrative stocks authorised under the Trustee Investment Act of 1893?—I should like to see it on behalf of the fund, undoubtedly, if it could be managed.

1023. Do you think that it is the proper function of the Government to invest in stocks out of its own control?—I think that a certain amount of such stocks should be taken up, certainly.

1024. Who should have the controlling voice in the stocks—Parliament?—There must be an Act to say what stocks should come under investment by the National Debt Commissioners. It is simply a question of the Parliamentary limits.

1025. Do you think that Parliament would be inclined to allow investment in stocks not under the control of the National Debt Commissioners?—I do not know; I do not think it would. I should like to see it. I think that certain of the sounder stocks might be included in the Parliamentary limits.

1026. Do you know whether any of the State insurance funds that you have had experience of abroad allow investment in other than their own securities?—Yes, certainly.

1027. What class of security?—I cannot define them exactly, but securities similar to our Local Loans. They deal very largely in land investments in Australia and New Zealand.

1028. Do you mean to say that the New Zealand fund would allow an investment of its money which it guarantees in the Wellington Corporation Loan?—Yes, I believe that that is the case.

1029. With regard to special notices, you think that the advertisement should be extended to railway stations in the waiting rooms, in addition to post offices, and in public buildings?—Yes.

1030. And that at the post offices these notices are very often obscured?—Yes. I am sure that that is the case. In going round on official business as I have done, I have noticed from time to time that our Savings Bank notices are scarcely ever seen. They are put up for a day or two, and then they become obscured by some other notices.

1031. Who in your day drew up the advertisements?—We have drawn them up in the Savings Bank from time to time.

1032. When you say "we," whom do you mean?—I mean to say the Savings Bank Department itself.

1033. I have had some experience of advertising, and it always comes back to some one man who draws up the advertisements?—I have had a good deal to do with it myself. I have taken some interest in it.

1034. In what way do you get publicity? Is the notice placed among a lot of other notices such as "Mails to Tasmania," and so on?—Yes, that is the case.

1035. Have you ever taken expert advice in the Department as to the best method of publicity?—I do not think that their being lost among others can be helped because there are so many notices. You may get a good place for a day or two, but it is obscured after by later literature.

1036. Have you ever had an offer from outside people to advertise on the backs of tickets, and so on?—No, we have not tried.

1037. Who would pay for advertisements in railway stations?—I do not know that it would require payment

Mr. C. D. Lang, C.B.

25 Nov. 1907.

at all. We might try, in the first instance, to get people to put them up.

1038. Have you ever tried to get a railway company to do it?—No. It may be doubtful if they would; but they do put up notices in waiting rooms, and they might do this for us.

1039. As a matter of fact, you do not think that the knowledge of the existence of this business is sufficiently diffused?—Quite so.

1040. With regard to the very important question of canvassing, you divide it into internal and external canvassing?—Yes. I feel very very strongly upon that. From long experience I feel that, insurance being so technical, unless there is canvassing of some kind, and unless you can explain to the people who are going to insure, or who want to insure, they will not understand it or they cannot understand it, and they are not likely to take up these policies. We have had this experience—that, in any office where we have had anything like a good canvasser, the business has increased. This was more especially the case in the Liverpool offices. In our offices in Liverpool, for example, we had a very able telegraph inspector and, owing to his canvassing, we had a very large increase of business.

1041. Did he get commission?—He had the commission. You cannot do it without commission. If you extend the canvass you must extend the commission.

1042. If you had this good man in Liverpool, who got you commission and got you business, why did not you arrange for other good men elsewhere?—So we did. It was not only in Liverpool. In our own Savings Bank Department we had one or two canvassers, and we had a very large increase of bnsiness in consequence, and in Norwich and in several other country post offices also.

1043. Is that legalised now?—It is legalised now—any servant of the Postmaster-General is allowed to canvass and to receive commissions.

1044. Why was it not carried out systematically in the Post Office?—It has been. It is done at every post office fairly well. Where it has been thoroughly carried out by a very good man it has been a very great success.

1045. Does that apply to the country post offices as well?—To the country post offices as well as to the London post offices.

1046. I was asking yesterday a man who does the whole of the friendly society and insurance work in one village and the next village where there are about 500 people, and he told me that he had never heard that there was Post Office insurance?—I am not surprised. This canvassing of which I speak was only done in the post office itself—not outside the post office. The postmaster or the clerk would not go outside the post office.

1047. Did he deal with the public in the post office?—Yes, in the ordinary course of business. They have not time, as a rule, to go outside.

1048. Did he only deal with the Government servants, or did he deal with anybody who came to the counter?—Only with the Government servants.

1049. This is a purely internal canvass?—Entirely.

1050. And that differs very much from the outside canvassing?—Yes, very much. I do not advocate the outside canvassing for certain reasons; first of all, I think the Government would object very much to it, and it would bring about competition which is not desirable; but I think that within all the Government Departments, and board schools, and friendly societies, it might be carried on to a very large extent, and it would be a very great success.

1051. Have you seen the objections that have been raised to board school canvassing by various people?—No, I have not seen them.

1052. (*Mr. Cochrane.*) I gather generally from your evidence that you are rather in favour of an extension of the Post Office system of life insurance?—Yes.

1053. You would suggest various alterations, such as the introduction of the "with profits" system?—Yes—anything to popularise the system, certainly. At the present moment it is absolutely a dead failure, and we want to wake it up.

1054. Why would you like to largely increase it?—I think that any system undertaken by the Government should be a success, and it is not a success at the present time.

1055. Because it is a Government system you would like it to succeed?—Any system that the Government undertakes should be a success. I do not think that the Government should undertake a system which is not a success.

1056. The objects of the Government system are very limited, are they not, as Sir George Hervey explained to us. The main object is to fill a vacuum?—I did not understand that at all. It is not our feeling in the Post Office Savings Bank.

1057. You want to make it a thriving business?—Not only a thriving business, but a useful business. Practically it is of no use because so very few take advantage of it in any way. Very few make use of it at the present time.

1058. Why do not they make use of it?—Because it is not sufficiently advertised. The absence of canvassing is one reason undoubtedly. There is no question that canvassing is a very great adjunct to any system of insurance.

1059. But there are various other forms of thrift besides life insurance?—Yes.

1060. And why should the State recommend to the general public one form of thrift rather than another?—But the Government has not done it.

1061. They give facilities for the public to come in, but should they go beyond giving facilities and induce them to adopt one form of thrift rather than another?—It is not a question of adopting one form of thrift rather than another. If you take the Savings Bank as the great thrift department, that is a success of itself.

1062. It does not require canvassing?—No, because it is more simple. Insurance is much more technical in every form.

1063. (*Chairman.*) Including life insurance?—Including life insurance.

1064. (*Mr. Cochrane.*) It is comparatively a simple operation to take out a policy of life insurance at the Post Office?—It is not at all a simple operation with certain classes. If you want to fill up the forms and attempted to answer the questions you would find that that is so.

1065. I quite agree that the forms should be simplified; but I am anxious to find out from you why you think canvassing should be necessary?—Because insurance requires explanation. The individual does not insure unless it is brought practically under his notice.

1066. You have to almost compel him to insure?—It amounts to that. It is undoubtedly a good thing for the individual when it is done, but he does not do it unless it is brought very plainly before him.

1067. It is very wide experience, that people have to be almost compelled to take out policies of insurance?—The public do not, as a rule, care about insuring their lives.

1068. We know that the Prudential canvasses?—Yes. If you know the procedure of the Prudential, and how they advertise, you will know that their success is obtained entirely through advertising and canvassing—canvassing chiefly.

1069. If a man were to invest in the Post Office Savings Bank at 2½ per cent., he would come better out of it on the average, than by taking out a policy of life insurance in the Post Office?—Yes, but he would have to wait a long time.

1070. But taking the average life?—Yes.

1071. Notwithstanding the loading and the expenses of life insurance, there is a very handsome profit to the life insurance?—Yes.

1072. If the individual, instead of taking out a policy of life insurance, invested his money in the Post Office Savings Bank at the same rate of interest as the tables are calculated upon (2½ per cent.), in the majority of cases he would benefit?—Yes, if he lived long enough.

1073. At the end of his life a larger sum would be standing to his credit?—Yes, if he lived long enough.

1074. I did not want to argue the question, but I wanted to find out why you suggest that one particular form of thrift should be brought before the public by means of canvassing more than another?—On account of life insurance being much more difficult to understand, and of its technical form.

1075. (*Chairman.*) Have you tried it in the Army and Navy?—No. That would come under the War Office generally, and the Admiralty. At the present time we do a large work with the soldiers and sailors in the Savings Bank Department, but not life insurance.

1076. Not because they are bad lives?—No, but because there is no commission. It is not extended to them.

1077. There is a post office attached to all field forces, is there not? You have never tried the life assurance?—No.

1078. (*Mr. Turpin.*) Your present premiums compare very favourably with the non-profit premiums of other offices?—Yes, for the smaller amounts.

1079. To get the "with profits," you would load that premium with a certain amount, and it would probably compare favourably with the "with profit" premiums of other offices?—Yes.

1080. From that loading you get your profit?—Yes.

1081. It stands to reason that you could not make the same profit with that loading, if you are limited in the investment area, as an outside office could?—Yes.

1082. Therefore, your "with profits" insurance would be much less than an outside insurance company could offer?—Yes.

1082. The effect would be that you would not offer such good terms?—No, but you would have Government security.

1083. You would want that?—Yes, you would.

1084. Do not you think you would find that you could not hold your own?—No; I think that "with profits" on a distinct table would be very popular indeed.

1086. You would offer some benefit, but not such a good benefit as another office?—I think it would be very popular.

1087. (*Mr. Hewby.*) I felt some doubt whether it would not be a questionable step to lower the age limit of insurance from 14 to 5. You think it would be desirable to lower it?—I think it would. It would bring it into line with the annuities. I do not see why you should not in the same way bring it down to five. I do not think you should make a distinction.

1088. Generally speaking, it hardly seems necessary to insure before one is approaching, at any rate, a wage-earning age?—If parents or relations are willing to do it for them, there is no reason why they should not. They have the advantage when they are older of the smaller premiums.

1089. (*Mr. Brown.*) In pursuance of Mr. Hewby's question, I would like to ask whether it is not the fact that, under the general law of the country, it is illegal to insure children under five years for more than 6*l.*, and children under ten years for more than 10*l.*?—Yes, I think it is.

1090. You would not propose that we should alter the general law in order to meet our own particular case?—I cannot see the objection to it.

1091. Do not you think that it is very objectionable to insure young children for large amounts?—Not after five years of age. Under five I certainly think it would be; but not after five.

1092. Would not you rather recommend some scheme of endowment by which the child should be insured for a small amount up to a certain age, with the benefit of the payment of a somewhat larger amount on obtaining that age?—I think it would rather complicate it. I think that the best thing in the world is to make the rules as simple as possible. That is the reason why I should advocate the five years.

1093. But from the point of view of thrift, would it not be better that the boy, on attaining 15 or 21, should have a substantial amount accruing to him, rather than a small amount?—That would come under the endowment.

1094. There are no tables of that kind at present, but you would advocate that?—Yes, I would strongly advocate that.

1095. I was glad to notice that with regard to insurance without medical examination you propose to give half benefit after six months. Might we not go a step further and give a quarter benefit after three months?—No; I think you ought to have the six months, and you should not go below it.

1096. Perhaps you are aware that the industrial companies give quarter benefit on the payment even of the first weekly premium?—Yes, I know they do. We are doing a great deal by increasing the amount to 50*l.* I do not think that it should be less than six months.

1097. From a more general point of view, do you think that there is any particular class which we ought to strive to reach?—Yes; I think all the industrial classes. That is why I would strongly advocate the extension to all our Government workshops—the arsenals and dockyards, and wherever we have Government employees. I think that we should extend our system as now carried out in the Post Offices by the payment of commission.

1098. I take it that the reason for that would be that we can give insurance to the industrial classes for the comparatively small amounts that they require at a very much smaller cost than the industrial companies who collect the premiums?—Quite so.

1099. But there is not the same reason for extending the limit above the sum for which members of the industrial classes would be likely to insure—not the same reason for extending it to 500*l.*, say?—No, not for the industrial classes, certainly; but I think that the object of that would be to increase the fund. You want the larger amounts.

1100. Would you say that practically all the members of the classes that we want to reach already have Savings Bank accounts?—No, not all.

1101. Do not you think that it might be an advantage in their case if we could take them without the necessity of their instituting a Savings Bank account with this particular object?—No, I do not think so. I think that there is no objection whatever in any person insuring opening a Savings Bank account, and it would help thrift as well as insurance. It would help the two classes of thrift.

1102. Should I be wrong in referring to a scheme which I think you proposed some time ago of monthly payments. Would you still be in favour of that?—Yes.

1103. Would that be done through a Savings Bank account?—Yes, through a Savings Bank account just the same. If we could extend this, we would do it under an extension of Regulation 45. The collections would be made weekly from the wages, and the amounts would be entered in a separate Savings Bank account. Schedules would be sent to the Savings Bank Department.

1104. I thought that the monthly payments were not to be made in that way, but by the insurers themselves at the Post Office?—No, not as regards the industrial classes. It would only be necessary with regard to the industrial classes.

1105. With regard to canvassing in board schools, do you see much advantage from the point of view of thrift in inducing very young children to take out insurance policies?—Not very young children, but the senior children and the teachers themselves, who would, I think, largely take advantage of a scheme of that kind.

1106. I take it that among the children there would always be a great risk of the policy lapsing?—Yes. You must limit the age. You must take entirely the senior scholars.

1107. As we have heard, when the policy lapses we incur a loss?—Yes, so I understand.

1108. I am not sure that the Committee are perfectly clear with regard to what is legal as to canvassing at present. I take it that it would be quite legal for

Mr. C. D. Lang, C.B.

25 Nov. 1907.

me, as an officer of the Postmaster-General, to go and canvass my neighbours on behalf of the Government Life Insurance system?—You might do so.

1109. I have no intention of doing it.—It might be legally done. At the present moment it is limited to servants of the Postal Department.

1110. There is no bar?—No. At the present time they have not time to explain insurance to anyone outside intending to insure. They have not time to explain it to the public.

1111. I did not quite follow your distinction between the two forms of canvassing, the first being canvassing within Government Departments, &c., and the second being canvassing by the public. Does that mean to exclude the canvassing of the public?—There would be objection to anybody outside the Government Departments being employed as a canvasser.

1112. You do not see any objection to an officer of the Postmaster-General canvassing the public?—No.

1113. (*Mr. Davies.*) A great deal of extra business might be got by active canvassing; but did it not strike you while you were at the Savings Bank that the Government was obliged to refuse a good deal of business that it might do, through the limitation to 100*l.*?—Unquestionably; there is no doubt about that.

1114. Did you draw the conclusion from the applications you saw that there were many people amongst the small professional classes, and people of that sort, who desired above all things to insure with Government security for a sum of over 100*l.*?—Yes.

1115. You saw the Savings Bank correspondence for a long term of years?—Yes.

1116. I take it that nobody could see that correspondence without having it brought home to him that the Government is obliged to refuse people who wish to come to it?—Yes. I reported on that very question in 1892. I saw then how evident it was that many were refused on account of the low limit.

1117. If we take it broadly that Government insurance exists for the people who, without being canvassed, desire to insure their lives, and get Government security, we are really not fulfilling the purpose for which we exist, so long as we tie ourselves down to the 100*l.* limit?—No. I think that is undoubtedly the case.

1118. I must say that that has struck me in a very short period?—I can only go back to the views held by Mr. Gladstone himself, who introduced the Bill into Parliament, and also of Mr. Scudamore, the originator of the idea. Their idea was that the limit should be much above 100*l.* In 1873, 500*l.* was proposed, but that was not carried.

1119. There is, in your experience, clear evidence of a demand on the part of the public for an insurance with Government security up to 500*l.*?—Yes, that is so.

1120. Business which has to be refused at present would come in without solicitation?—Yes, without canvassing at all.

The witness withdrew.

Adjourned to to-morrow, at 11 o'clock.

THIRD DAY.

Tuesday, 26th November 1907.

PRESENT:

LORD FARRER (*in the Chair*).

F. J. BROWN, Esq.
The Hon. T. H. COCHRANE, M.P.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. G. TURPIN, Esq.

E. RAVEN, Esq. (*Secretary*).

Mr. J. Blakey.

26 Nov. 1907.

Mr. J. BLAKEY recalled.

1121. (*Mr. Brown.*) You would say that the method of valuation adopted is a very stringent one, would you not?—With the exception of the value placed upon the assets—the value placed upon Consols.

1122. But I understood that the Consols were written down to their value on the 31st December 1905, and you could not put a smaller value upon them than that, could you?—You could if you were valuing for the purpose of distribution of profits, for instance. It would not depend on the price of the day. You would have to put the price which you were likely to realise upon some future occasion.

1123. Is that the method of the companies generally, do you happen to know?—The companies generally, if possible, like to value at the cost price, but if the market price is less than the cost price, and they think that the depreciation is only temporary, they take the difference to an Investment Fluctuation Fund. As they are valuing for the purpose of seeing the surplus to be divided, it would not do to include the amount they have put in the investment fluctuation fund, as that would be a sum which they might never receive.

1124. I think I am right in supposing that only a few companies have an investment fluctuation fund, and that in the case of those who have such a fund it is somewhat small, and would by no means cover, for instance, such a large depreciation of securities as was represented by your valuation in 1905 as compared with that of 1900?—Of course the Reserve Fluctuation Fund depends upon the price at the time compared with the cost price, for instance. It depends upon the amount of the depreciation.

1125. I was trying to get at this: Do the companies in practice write down their securities to such an extent as we have done in this valuation?—Of course this is not a valuation for dividing profits. The companies must provide for future profit, and in their valuation they must be on the safe side. It would not do for them to divide a surplus which might not be realised in the future owing to the prices of the securities.

1126. You would not say then that on the whole our method of valuation is more stringent than that usually adopted?—I do not think that you can compare the two, because this method of taking the market price has many objections to it. You might say that it would be much better to take the average of the three or four years previously. It merely shows that on a certain basis, that is discounting your liabilities on the one hand at 2½ per cent., and taking the market price, what is the condition of the fund at that date. If you liked to take any other price it would vary accordingly.

1127. Would you mind telling me what percentage of depreciation in the securities is represented by the last valuation as compared with that of 1900?—In 1900

the price of Consols was 97½. In 1905 it was 89 5/16ths, so that there is a difference in the price of 8 5/16ths per cent.

1128. And, roughly, that would mean that the fund had been written down by how much?—I cannot say exactly, but, roughly, I should say about 30,000*l.* I have not the amount of Consols at the last valuation.

1129. (*Chairman.*) 30,000*l.*; and the quinquennial valuation showed what as a gross total? We had the actual figure last time, but I have forgotten it?—77,770*l.* was the surplus on account of insurances.

1130. (*Mr. Brown.*) I should like to pursue for a moment or two the line of questions that I reserved yesterday with regard to the interest. I think that in answer to Mr. Davies yesterday you said that by taking the rate of interest at 2½ per cent. and the actual value of Consols on the date of the valuation, the 31st December 1905, we got a true representation of the state of the fund on that particular day; but taking the value of Consols on that particular day, our fund was earning a considerably higher rate of interest than 2½ per cent. Would you still say that it represented the actual state of the fund?—Taking the price at 89 5/16ths, the assets of the fund are earning about 2*l.* 16*s.* per cent. The liabilities, that is the reversions less the future premiums, are discounted at 2½ per cent., and, therefore, you have a margin of about 6*s.* per cent. for the future benefit of the fund.

1131. I can quite see that that would give a margin which would result in the future benefit of the fund, but we are not a mutual company. If we were, I quite see that the policy holders would benefit to that extent eventually, and from their point of view the thing would not matter at all. But as we are not a mutual company, it is actually the taxpayer and not the insurer who would eventually benefit from that state of things, is it not—the Treasury, in short?—Yes.

1132. Then would you mind telling me the surplus at the valuation of 1900. I ought to have that figure, but I am sorry to say that I have not?—68,914*l.*

1133. That is the surplus on the insurance fund alone?—Yes.

1134. And the present surplus is 77,771*l.*?—Yes.

1135. So that the profit earned in the quinquennium is roughly 9,000*l.*?—That is the difference between the two surpluses.

1136. Yes, the difference?—It is not the profit.

1137. But it would practically in the case of a mutual insurance company be the amount available for distribution, reduced perhaps by one fifth or something of the sort, would it not?—That is the surplus at the 31st December 1905, and, as I said before, you would have to take into consideration the price at which the Consols are valued. With regard to the price at the 31st December 1905, no company would take the market price and distribute on that basis. For instance, the price now is a little over 82. The difference with a company is that they must value on a safe basis, so that whatever profits they divide are realised profits.

1138. On something of a standard basis, I take it; that is to say, in the case of the companies they assume a standard rate of interest and a standard price of securities, to a certain extent?—No. The price of the securities varies in the case of Stock Exchange securities with the market prices. It does not necessarily follow that they would take the market prices.

1139. No. They assume something different from the market price, do they not?—They must assume a price which they consider likely to be the price in future.

1140. (*Chairman.*) Is that so? I am very much surprised. Certainly trust companies do not. They write down the actual Stock Exchange value in many cases?—If you write down to the actual market price, no one can gainsay you. If you valued at a higher price, they might say that your price was too high.

1141. (*Mr. Brown.*) The Treasury, I understand, have a right to take four fifths of the surplus?—It is in the Act of 1864.

1142. If the same proportion of that additional surplus of 9,000*l.*, that is about 7,000*l.*, had been divided among the policy holders in proportion to the amount of each policy, could you give us any idea of what would be the rate of the distribution per cent.?—No. With regard to that four fifths it was, I think, never contemplated that it should be divided among the policy holders. The intention was that four fifths should go to the Treasury, and that one fifth should be held in reserve.

1143. I am only assuming that, if it had been so, if my calculations are right, it would have represented a distribution of nearly 1*l.* per cent. on the policies?—I am speaking of the surplus of the quinquennium, four fifths of 9,000*l.*

1144. Yes, four fifths of 9,000*l.*?—It is not that they would divide, but the surplus at the valuation.

1145. Yes. I was assuming for the moment that the previous profits had been divided, and that we were dealing now with the quinquennium profits?—The Treasury would think it was too small a balance to leave on the account.

1146. I quite believe that that is so, but I want to get at this—it is a practical question from my point of view——?—You mean that if you had 2,000*l.* to divide——

1147. No; 7,000*l.* to divide—four fifths of the 9,000*l.*?—That the Treasury would take.

1148. Under present circumstances. I am assuming that we could divide it among the policy holders?—7,000*l.*?

1149. Yes. It would be nearly 1 per cent., would it not, on the amount of the policies?—1 per cent. in reversion?

1150. No; in cash?—The assurances, you mean, amount to about 800,000*l.*?

1151. Yes, roughly speaking, and the reversion would represent, perhaps, as much as 2*l.* 10*s.* per cent.?—Yes; but that is hardly practicable. The reserve left would be too small. Consols are valued at 89 5/16ths, and dividing the surplus on that basis would leave no margin for any further fall in these securities.

1152. The point I was coming to was this. Yesterday some of us seemed to have come to the conclusion that it would be almost desirable to reduce premiums in view of the surplus in hand?—I think that if there is any surplus to be divided amongst the insured, the best way is to reduce the premiums, it would be a better way than giving a cash bonus, or a reversionary bonus.

1153. But in regard to reducing premiums, first of all, is not a good deal of work involved in reducing the premiums of existing policy holders; and, secondly, does it not make it very much more difficult, in the event of the fund getting into a worse position hereafter, to put it on a sound basis? If you reduce a premium, you cannot very well raise it again?—No; it is impossible to raise it.

1154. I imagine so; but if, instead of reducing the premiums, you have distributed a portion of your surplus in cash or in reversionary bonuses, and you find at the next valuation that the fund is not in so good a position, all you have to do. I take it, is not to distribute?—Just so.

1155. So that from that point of view there might be a certain advantage in distributing rather than in reducing premiums. There are companies, or, at all events, there is one well-known and prosperous company which expressly states that its rates are put down to the lowest minimum consistent with safety. It does not give a without-profits as well as a with-profits set of tables, but in actual working it finds that it does make a profit, and it distributes that profit among the policy holders who are practically enjoying rates which, in other companies, would represent without-profits insurance?—Yes.

1156. I was wondering whether something of the kind might not possibly be done in the case of the Post Office, and whether you would see any objection to it from an actuarial point of view?—I can see no objection if you have the profits to divide, and the law allows you to divide them.

Mr. J. Blakey.
26 Nov. 1907.

1157. The cost of distribution of profits would probably be somewhat less than the cost of a reduction of rates—I mean the application of a reduction of rates? If I recollect rightly, the last reduction cost us 600*l.* or 700*l.* to apply to existing policy holders, did it not?—Yes.

1158. With reference to the question of surrenders, on which a good deal was said yesterday. I will not detain you for more than a moment on that point, but I take it that the point is not so much that, in the case of the high policies, the loading suffices immediately for the expenses, whilst it does not do so in the case of the small policies, but it is rather a question of time in both cases, is it not, to a certain extent? That is to say, a policy for 100*l.*, if surrendered in two years, would hardly pay expenses?—Probably not. You mean that in the case of a small policy it ought really to run for a much longer period than a large policy before a surrender value was allowed?

1159. Yes; but in both cases the element of time is of some importance from the point of view of payment of expenses?—Yes; but the Act of 1882 reduced the period from five years to two years.

1160. At the same time, I suppose, the Act of 1882 did not debar us from taking into account the question of actual cost—the initial expenses?—I do not think so. In regard to the small policy, however, the practical effect would be that a man who came to surrender after paying two or three years' premiums probably ought to pay something to the fund to clear his account.

1161. Yes, it might be. I want next to ask a question or two on the subject of loans. It is, perhaps, one which rather ought to have been addressed to Sir George Hervey, but probably you will be able to deal with it. I think you told us yesterday that you saw no actuarial objection to the premiums being debited to the surrender value?—No. That is, the policies should be kept up out of their surrender value.

1162. And, I think, you told us also that half the number of policies which ceased to exist last year had had surrender values assigned to them?—No, I did not say that. What I said was that in the six months ending September 1907 there were about 12,000*l.* of insurances granted, and that considerably more than half that amount ceased by surrender and lapse.

1163. Of the new policies?—No, that half of the new policies obtained were required to make good the wastage from surrenders and lapses in the six months.

1164. You said that you supposed that they were surrendered because the policy holder wanted the money. That expression rather struck me. Do not you think that it would be a good plan to grant loans within the surrender value at a substantial rate of interest, as I think is done by most insurance companies. That would at the same time probably keep up the policy, because the policy holder would then be able to pay his premium out of the loan, and it would also give us a higher rate of interest with a very safe security?—I think that probably, from the Government point of view, it would be quite right; but I do not see the advantage to the policy holder of paying a high rate of interest for an advance.

1165. I do not mean a usurious rate of interest, but something like 5 per cent., which I am quite sure he would have to pay to any insurance company—something better than Consols. I would like to know your opinion from the actuarial point of view?—In the case of small insurances there would be some trouble, because each time a premium fell due it would be necessary to calculate the surrender value and to see whether the surrender value would cover the premium with interest for a year.

1166. That would be met if, as Mr. Batchelor proposed, loans were not granted unless the policy had reached a substantial surrender value, say 5*l.*?—I see no objection if that would be a means of keeping the policies in force.

1167. It is, I take it, as Mr. Denman was saying yesterday, the small policies which hardly pay. The minimum 5*l.* policy scarcely pays, does it, taking into account initial expenses?—I do not think it does. On the 5*l.* policy the loading of 4*d.* was fixed by a committee in consultation with the Post Office, and it was due to the method of paying the premiums by transfer from the deposit account. It was thought that the cost could be reduced, and that was one of the conclusions they came to.

1168. The loading of 4*d.* represents about 20 per cent. on the average, does it not?—I will take your word for it.

1169. I only wanted to bring it out?—That is only 20 per cent. at age 15 next birthday. The premium is 1*s.* 9*d.*

1170. It is only in the case of those entered at a very young age?—At the age of 30 the premium is 2*s.* 5*d.*

1171. On an average, I suppose, from 15 to 20 per cent. might be taken?—At the age of 50 it would be one fifth of 4*s.* 4*d.*—about 10*d.*

1172. Taking one age with another within the usual insurable ages?—I do not suppose that it affects your argument—the 20 per cent.

1173. It would be quite possible, would it not, to devise tables in which a somewhat higher premium was charged for the insurance on the very small amounts, with a view to cover the extra expense?—No doubt. You could put the exact expense on to each premium if you wished.

1174. I take it that the expense arises somehow like this—I think we have had it in evidence before—that you allow from the insurance fund 3*s.* 6*d.* for the initial cost of the 5*l.* policies?—It would take over 10 years to pay that.

1175. Yes, I think it would, and I was going to ask you whether, as a matter of fact, the Post Office is not finding that that is too small to cover the initial expenses?—Then, in that case, the loading ought to be increased.

1176. In the case of the 10*l.* policy we get double the amount of loading, and therefore the question does not arise to the same extent. The next, perhaps, is hardly a question for you, but it is not a fact that in the case of the 5*l.* policy there is very little advantage to the assurant from the point of view of thrift, and it would not matter very much from that point of view if the 5*l.* policy were abolished altogether?—These small policies of 5*l.* and 10*l.*, are taken out for burial purposes.

1177. (*Chairman.*) I should like to ask a question on a matter that has puzzled me more than once: supposing that the Government finds that a thing is not paying, whose business is it to bring it to the notice of those who are working the concern? I think it is of very great importance that that should be settled?—Do you mean with reference to this case?

1178. Yes. Take this case: supposing you say that the 5*l.* to 10*l.* policies are not paying, does that come in an observation from you to the Post Office, and do the Post Office transmit it to the Treasury, or how is it? In a company, as a rule, it is the auditors who bring the thing to the notice of the managers, and the managers bring it to the notice of the Directors. What is the method of bringing an unprofitable transaction to the notice of the proper authorities of the Government?—I take it that it would be for the Post Office in this case. Our function is merely to value the assets and liabilities in the gross, and report to the Treasury. Supposing that there was a loss all round in the fund, the effect would be shown in the valuation, and it would be brought in that way to the notice of the Treasury.

1179. But then you are the only people who have the knowledge necessary to say whether a thing is paying or not, it seems to me?—Only in the gross. The general effect would be shown in the valuation.

1180. (*Mr. Brown.*) At all events, quite apart from the question of surrender value, it would not be desirable to canvass in such a way as to secure any very large number of the smallest policies which would soon lapse, because although the actuarial risk in the case of a policy which soon lapses is, I take it, very small, yet the expenses would be so large that there would be a substantial loss?—Yes.

1181. To turn to another point, could you give us some idea of the effect of increasing the assumed rate of interest, say, to 2¾ per cent. on the loading, assuming the present rates to remain the same?—The effect of increasing the rate of interest would be to diminish the

amount of the premium, and if you put on a constant of 4*d.* the result would be that the new premium would be smaller than the present one.

1182. Yes, but I rather meant to take it in this way: suppose we take the premiums as they are at present—and I am speaking now of the premiums generally, and not only those for the smaller amounts, but also those for the higher amounts, which of course have a smaller loading—if we assumed an additional quarter rate of interest, that would be equivalent to a substantial increase in the loading, I take it. It seems to me from my own calculation very substantial?—The present premiums are calculated on the basis that they can be accumulated at $2\frac{1}{2}$ per cent. If you could accumulate them at $2\frac{3}{4}$ per cent. you would require a smaller amount.

1183. In the case of assurances entered into at comparatively early ages, it might mean that in the case of those premiums where we now have a loading of 5 per cent. we should have a loading of 10 per cent?—To put it in another way, you would have the same loading as at present, but you would pay the extra 5 per cent. out of the profit earned by the interest.

1184. I only wanted to get at that—that an additional quarter in the rate of interest might mean an additional 5 per cent. to spare in the premium?—I do not say anything as to the figures.

1185. No, you say nothing as to the figures?—But only on the general question that there is more money available.

1186. Now, I want to ask a question or two as regards the tables. I find that all the industrial companies—the companies that appeal mostly to the working classes—have weekly rates of premiums?—Yes.

1187. There would not be much difficulty, would there, in our having tables showing weekly rates?—No.

1188. Would there be any difficulty in calculating weekly rates?—Not at all.

1189. Would you see anything actuarially unsound in giving a quarter benefit after the payment of a quarter's premium, half benefit after the payment of a half year's premium, and full benefit after the payment of a year's premium?—I do not think that is an actuarial question; that is more for a medical officer? You mean without medical examination?

1190. I meant either with or without, but we will assume without?—With medical examination you come into full benefit.

1191. After payment of the full premium?—Yes. Is not that your point?

1192. My point was whether, after a payment of a quarter's premium, we might not give a quarter benefit. To explain what I mean, the point is this: the industrial companies come to a working man and say: "Now by "paying your first premium, even if it is only a weekly "premium, you come at once into a quarter benefit of "your policy. If you die within the first quarter, you "get a quarter of the amount of your policy." We are obliged to tell a man that he must pay a full year's premium, which, if he is insuring for 50*l.*, would to him be a substantial amount, before he can get any benefit at all?—Yes. There would be no difficulty in calculating a half-yearly premium which would bring the man into full benefit at once.

1193. (*Chairman.*) I should like to ask you whether you have ever looked into that with regard to the Act. Does the Act allow you to do that?—I am not sure.

1194. (*Mr. Brown.*) At all events, there is no difficulty from an actuarial point of view first of all in preparing tables with weekly rates, and in issuing tables which would allow earlier benefits?—On the weekly rates?

1195. Say after 13 weekly premiums had been paid?—I should not like to answer that question without consideration. You see, there is the question of medical examination in these weekly rates.

1196. That is another point I was going to ask about. Mr. Batchelor suggested that persons who enter without medical examination should come into benefit (I think that is the technical term) somewhat sooner than they do at present. I understand that if a person enters without medical examination now he has to wait one year before he gets any actual benefit at all. His representatives get his premium returned if he dies during the first year, but nothing more. If he dies during the second year they get only half the benefit of his policy, and it is not until the third annual premium has been paid that they get full benefit?—That provision is in lieu of the medical examination. A man in a bad state of health, if he comes in, is likely to die. If he dies within the year he gets nothing except his premium returned. A man may possibly judge of himself for the first year, but how he will be the following year he is not in quite so good a position to judge.

1197. Of course you know that that compares very unfavourably with what the industrial companies do on a point which is likely to appeal to the working man?—In regard to the industrial companies, there is a good deal of competition amongst them. You can never have a really industrial business without having collectors.

1198. I confess I do not see any absolute connection between giving earlier benefits and having collectors?—No, there is none whatever.

1199. (*Mr. Cochrane.*) Might it not be that the industrial associations have better means of ascertaining the exact state of health of the man than the Post Office would have in the cases where there is no medical examination?—Yes, I think that where they insure children, for instance, the man who goes round collecting has to say personally that he has seen the child.

1200. (*Mr. Brown.*) Have you any information as to the question whether the risk is proved to be greater in the case of people who have entered without medical examination than in the case of those who have entered with it?—No investigation has been made on that point.

1201. You have no reason to think that it has been substantially greater, I take it?—I could not say either way unless we examined it.

1202. To speak generally, I suppose that these extra risks, whatever they are, might be met by a small increase in the premium, especially in the case of the smallest policies?—I do not think so. If a man knows that he is likely to die within three months or six months, I do not think that any premium you could charge, except the amount that you are going to pay him, would meet the risk.

1203. But, in any case, am I not right in supposing that we should not accept any life unless the man were vouched for as being in good health by two responsible people, and unless one of our own people saw him, and saw that he was apparently in good health?—No. I expect you would take some precautions in the matter.

1204. Would you see any difficulty in drawing up a table for use in the case of young children, by which they would come into possession of an endowment, say, on reaching the age of 15 or 21?—There would be no difficulty in drawing up a table; but in practice I believe that children's endowments are generally with the premiums returnable, and the child would certainly be in as good a position if the money were invested in the Post Office Savings Banks.

1205. (*Chairman.*) It is only about six or seven years since these endowments at 21 policies have been inserted?—Yes; I think that a great number of the offices grant them now.

1206. (*Mr. Brown.*) I was referring to an endowment policy which would be met by annual premiums?—I took it that you meant a policy on the life of a child, provided that the child arrived at a certain age, but nothing in the event of death.

1207. I am not so sure that I would not pay something in the event of death; but, at all events, it would not be so much as the endowment on his reaching a certain age?—I follow.

1208. (*Chairman.*) I take it that you are prepared to make an actuarial scheme for anything that any other actuary is prepared to make a scheme for?—Yes. Two points enter into it. If with medical examination there is no difficulty at all in charging a proper quarterly premium.

Mr. J. Blakey.

26 Nov. 1907.

1209. (*Mr. Cochrane.*) At a slightly increased rate?—Slightly increased. It would be more than one fourth of the annual premium, because there is the loss of interest. There would be no difficulty in calculating a quarterly premium under which the man would come into full benefit at once.

1210. (*Mr. Brown.*) I did not mean that the premium would continue to be paid quarterly. I rather meant that the man should come into some benefit without having to produce a full year's premium?—Exactly.

1211. (*Mr. Cochrane.*) The point is that after he has paid a quarter's premium he should get some benefit?—There is no difficulty in calculation. The two items are these: he pays so much down; how much will that assure him for a certain time.

1212. If Mr. Brown lets you know the sort of policy that he has in his mind, could you let us know how much it would cost the Post Office to issue such a policy?—We could calculate the cost of any form of policy.

1213. (*Chairman.*) You think that there is enough actuarial information to do it?—Yes. We are not speaking now about children, but about policies for grown-up people.

1214. (*Mr. Brown.*) My question referred to all kinds of policies?—We could deal with the children, of course. The Prudential have their own experience to go on. They have a large experience with regard to the insurance of children, and they calculate their rates on their own experience, I believe.

1215. I would not like to put you to the trouble of making actuarial calculations, unless the Committee wish for them?—I do not think there is any difficulty in calculating tables.

1216. (*Chairman.*) I took your general statement to be that you were prepared to calculate anything that any other actuary was prepared to calculate?—I would not go as far as that.

1217. There is no difficulty in calculating where you have evidence to go upon?—Where you have a basis to go upon.

1218. Where you have not, there is very great difficulty?—Yes; it is purely hypothetical.

1219. *Mr. Cochrane.*) Would you explain the system of deferred annuities, and also of immediate annuities?—Deferred annuities are granted under two systems, one in which the purchase money is returnable, either on the death or at the option of the purchaser, and the other—the money-not-returnable system—where there is no money returnable. Supposing the purchaser dies before the annuity comes into course of payment, he gets no return.

1220. Would you defer for any particular number of years?—As a rule, we do not grant them under 10 years' or more than 50 years' deferment.

1221. Is that by an immediate payment of a lump sum, or by annual payments?—You can do either.

1222. And an immediate annuity?—There you pay a lump sum down, and come into payment of the annuity at once.

1223. Probably getting a higher rate of interest than you could get in the outside market?—You sink your capital and get it returned to you in the form of an annuity. You do not get a bigger return in the rate of interest. You are eating up your capital, of course.

1224. Why are the deferred annuities dealt with by a separate fund from the immediate annuities?—Because in the case of immediate annuities the purchase money is invested in Consols, and the Consols are cancelled. That relieves the State of the small payment of interest; but, on the other hand, the State has to provide the bigger amount of the capital and interest included in the annuity instalment. The State pays a bigger amount and cancels a smaller charge. It is a means of gradually paying off the dobt. In the case of deferred annuities and insurances there is nothing cancelled. In the case of a deferred annuity or a payment on death, the liability of the Government is thrown to some future date. It is not like an immediate annuity where the Government pays more than before. In the case of a deferred annuity, they are receiving money which they will have to pay out in 10, 20, or more years. So it is necessary to form a fund for that.

1225. A separate fund for immediate annuities?—No. With regard to immediate annuities, there is no fund for these, because the stock is cancelled, and the State has not to pay the 2½ per cent. on the stock, but, on the other hand, has to pay the 2½ per cent. plus a certain sum in the instalment of the annuity.

1226. (*Chairman.*) It is an exact calculation?—Yes.

1227. (*Mr. Cochrane.*) The annual deficiency is made up from the Consolidated Fund?—In what way?

1228. You purchase an annuity to pay you 5 per cent. on the capital sum you have paid down?—Yes.

1229. The Consols cancelled would only have paid you 2½ per cent.?—Yes.

1230. From what source is the balance of 2½ per cent. made up?—From the Consolidated Fund.

1231. That is what I wanted to know. Why are the sums received in respect of deferred annuities and insurances paid into one fund?—Because the liability on account of deferred annuities and insurances does not commence until some future date. In the case of immediate annuities the State has to pay out more than the interest on the stock it cancels.

1232. But what connection is there between a deferred annuity and a policy of assurance?—Merely that the deferred annuity begins, say, 20 years hence, and the policy of insurance falls due, it may be, 10 or 20 years hence. They both cause a payment to be made by the State at some future period.

1233. But the interest of the person who takes out a deferred annuity is not the same interest as that of a person who takes out a policy of life insurance?—No, but the liability is in the future in both instances.

1234. But they are two separate individuals and their interests are distinct?—They are distinct, of course. One gets it if he lives, and the representatives of the other if he dies.

1235. By the system which has been adopted of placing the two sums that accrue from both forms of thrift into one fund, they stand or fall together?—Just so.

1236. Is there any reason why a person who takes out a deferred annuity should get more than he pays for?—He does not.

1237. At present, owing to the system of accounting, if you take out a deferred annuity the deficiency on the deferred annuities fund is made up by the surplus on the life insurance fund?—Yes, at the valuation.

1238. There has been a steady deficiency shown in the deferred annuities fund during the past series of years?—Yes.

1239. Growing to a very large sum?—Yes.

1240. And there has been a steady increase in the surplus in the life insurance fund during a similar period?—Yes.

1241. But from the fact that they are both accounted for in one fund, the condition of deficiency in the deferred annuities is not made public?—In neither fund is it made public. The information with regard to both deferred annuities and insurance is not published.

1242. Under the powers of the Act of 1882, the surplus on the life insurance fund may be applied to the benefit of those who have taken out policies of insurance?—One must know what the exact meaning of that is.

1243. Section 5, subsection (9): "The Treasury "may provide for giving to the persons entitled to "insurances in force at that time such portion of the "surplus of the said fund as seems just in such manner "as seems expedient"?—Yes, provided a new table is made. Then it goes on to say that the Treasury have power to do that.

1244. To give to the holders of life insurance policies the benefit of the surplus to which they are entitled?—Such portion as may seem expedient.

1245. Just so, but they do not get the benefit to the full extent owing to the fact that there is a deficiency on the deferred annuities, which is made up by taking off some of the surplus from the life insurance?—Yes. Without that the fund would show a larger surplus.

1246. And it would become more apparent to my Lords of the Treasury that it was a duty which they owed to those who took out policies of life insurance to give them some portion back of the extra premiums they had paid?—Yes, I think so.

1247. That, in your opinion, would be only fair?—It would be only fair. Supposing that they were two separate funds, and the fund for insurance was so large that you could give some back to the people insured, I think it would be only right to do so.

1248. There is no reason why they should both be placed together in one fund, is there?—Well, I fancy the reason was that when insurances were first mooted (which was in 1853) they said that a person could take out an insurance provided he took out a deferred life annuity at the same time, and I think the principle was that they thought the mortality one way would neutralise the mortality the other. A person had to take out two policies—one a deferred annuity, and the other an insurance—but no insurances were ever granted under that Act of 1853, and nothing was done until 1864.

1249. That was a very good reason in 1864. I take it from you that in order to take out a life insurance you had to take out an annuity as well?—In 1853.

1250. That does not prevail now?—No.

1251. A man takes out a policy of life insurance, but he is not compelled to take out a deferred annuity?—No.

1252. Or a man takes out a deferred annuity, and is not compelled to take out a life insurance policy?—No, that was altered under the Act of 1864.

1253. Therefore, it seems fair that each of these should form a separate fund, and each should be actuarially solvent irrespective of the other?—In 1864 they considered that they should form one fund, and I fancy that was the principle which guided them.

1254. I am not going to ask you for a legal interpretation of the subsection?—No, I am afraid it would be no good.

1255. I will read subsection (4) to put it on record: "The Tables shall be framed in such manner that the "fund formed by the receipt of sums in respect of "deferred annuities and of insurances and the amounts "paid for immediate annuities shall respectively be "adequate (after payment of expenses) to meet all "claims without causing any loss to the Exchequer." It seems as if in the Act of 1882 it was contemplated that each one of these sums in respect of deferred annuities, insurances, and immediate annuities should be separate, and that each one should be adequate to meet all claims without causing any loss to the Exchequer?—Without being able to interpret the section in a legal manner, I think that it merely considers two things. The fund formed by the receipt of sums in respect of deferred annuities and insurances is one, and the amounts paid for immediate annuities is the second.

1256. Suppose that the sums paid in respect of immediate annuities are not adequate to meet all claims without causing any loss to the Exchequer—at any rate, any temporary loss. I gathered from you that you have to pay out of the Consolidated Fund more than you get in?—No, that is a misapprehension. What I meant was that the Consolidated Fund is relieved of the annual charge of the Consols, but it pays back to the man the value of his Consols by instalments and the interest from time to time.

1257. You mean to say that it is actuarially sound?—Yes, and it has nothing to do with profit or loss.

1258. The loss is temporary, and is made up eventually?—It is not a loss; it is merely a means of paying off a debt.

Mr. J. Blakey.

26 Nov. 1907.

1259. I see your point. With regard to the other point, the main thing is that you see no reason why the sums paid in respect of deferred annuities and insurances should not form a separate fund?—I do not think that that is a question for me.

1260. There is no actuarial difficulty?—It is a question, I think, of policy more than anything else.

1261. There would be no difficulty in calculating separately?—There would not be any. We keep separate accounts.

1262. Although they are paid into one fund?—Yes. With regard to your point about three things in subsection (4), I think it is clear from subsection (5) of section 13, that there are only two.

1263. I will not go into the legal point with you It appears to me to be somewhat unfair. I think I have it already on the notes?—I quite see your point. One pays for the other, in fact.

1264. And yet they are not connected in any way. There is now no connection between the holder of a life insurance policy and the holder of a deferred annuity, and there is no reason why a man who takes out a policy of life insurance should have to pay for the man who takes out a deferred annuity?—From the State's point of view they do not wish to gain or lose, and I take it that the intention was that one should go against the other.

1265. It would be perfectly fair to make the person who takes out a deferred annuity pay sufficient?—That is what ought to be done, certainly.

1266. He ought to do that?—Certainly he should pay for his own.

1267. With regard to the quinquennial valuation; it is now merely made for the Treasury?—That is all.

1268. The Chairman suggested that it should be made public in some way. Are any similar valuations laid on the Table of the House, or made public in any way?—There are only the Savings Bank Funds similar to this.

1269. (*Chairman.*) You mean in your office?—Yes. At one time the system of valuing the securities at the market price was called in question, and a Committee of the House of Commons came to the conclusion that it was best not to value them at all in the case of the Savings Bank Fund.

1270. (*Mr. Denman.*) They are given at the par value?—No; I think they merely quote the amounts of the securities.

1271. (*Mr. Davies.*) The amount of stock held?—Yes. At one time there used to be a balance sheet in which the securities were valued at the price of the day.

1272. (*Mr. Cochrane.*) Does the Post Office with regard to its insurance publish accounts in a similar manner to that of ordinary insurance companies?—Not the valuation accounts.

1273. Would it be possible to make public the statement of their quinquennial valuation accounts?—Certainly, if it were thought fit.

1274. (*Chairman.*) Without injuring the public service?—I can only say that personally I do not see that there is any objection.

1275. It might be done in an objectionable way?—Of course, that is for other people to decide.

1276. (*Mr. Cochrane.*) From the actuarial point of view there would be no difficulty in publishing a quinquennial valuation of the insurance fund?—No.

The witness withdrew.

Adjourned for a short time.

Sir ROBERT HUNTER called in and examined.

Sir R. Hunter

1277. (*Chairman.*) Have you been Solicitor to the Post Office for the last 25 years?—I have.

1278. Were you concerned in the framing of the Savings Bank Act of 1882?—I was.

1279. Were you intimately connected with the framing of the Regulations which have been made under that Act from time to time, and at one time had you many questions connected with insurance before you?—Yes, that is so. I have not had so many questions lately—I suppose because the various points of difficulty have been disposed of.

1280. Do you think that the business has been a failure, compared with the success of the Post Office Savings Bank, with which it is connected?—Yes, quite.

Sir R. Hunter.

26 Nov. 1907.

I consider that it is a failure from the point of view of doing any considerable amount of business.

1281. You know what the invested funds come to?—20,000*l.* a year; but when you consider the enormous field that you have to operate upon, and compare it with the Savings Bank, in which we have about 150,000,000*l.* or more, and when you remember that about one in four of the population of the United Kingdom is a depositor, you will see that the insurance business is comparatively a mere bagatelle—so much so that it seems to me that if the Government had known that it would only have been used to such a slight extent, it would hardly have been instituted at all; it would not have been worth while.

1282. But it being there, the point which we have to consider is how to make the best of it?—Yes, quite so.

1283. You have seen Mr. Batchelor's evidence, in which certain suggestions were made for the improvement of the Post Office insurance system?—Yes. I thought that the Committee would like to know what I have to say about those suggestions of Mr. Batchelor from the legal point of view.

1284. That is exactly what we do wish. Will you be so good as to take the suggestions one by one, beginning with those that do not require legislative sanction?—Most of the alterations suggested by Mr. Batchelor as not requiring legislative sanction are matters of departmental arrangement, and do not require any alteration even in the Statutory Regulations.

(i) As regards the simplification of the proposal form, the requirements of the Statutory Regulations are very few and simple (*see* Regulations 16, 18, and 19). Most of the particulars inserted in the proposal form are quite optional on the part of the Department.

(ii) As regards the attestation of the proposal form, the Annuity and Insurance Regulations provide in the case of proposals for annuities that they may be signed in the presence not only of an officer of the Post Office but of a minister of any religious denomination, a justice of the peace, or a commissioner to administer oaths. I do not see why a similar choice should not be given to persons making proposals for insurance. Compare Regulations 8 (3) and 16 (last paragraph).

(iii) The question of the persons to whom commission should be paid is entirely a question of policy, and does not depend on any Act or Regulations.

(iv) The abolition of the extra payment in the case of persons residing abroad is also a matter of arrangement with the National Debt Commissioners. The Regulation as it stands does not oblige the Postmaster-General to require any extra payment.

(v) There is a definite Regulation (No. 24) avoiding policies on suicide. I think it would be rather difficult to abolish this provision; but the Postmaster-General is not bound to enforce it, and apparently does not do so.

(vi) The conditions under which payment can be made to persons who have insured without a medical examination are defined by Regulation 25 (2). If it is proposed to make this more favourable, the Regulation will have to be altered.

(vii) The amount of the medical fees is entirely in the discretion of the Department.

(viii) I do not understand what Mr. Batchelor meant by saying that members of friendly societies can obtain payment of 50*l.* on an insurance immediately on death, while persons insured with the Post Office have to wait until it is ascertained that no estate duty is payable. The law is precisely the same in both cases. There is power to pay up to 100*l.* to a nominee or to a person taking under a will or intestacy. But, whether in the case of the Post Office or of a friendly society, if the total property of the deceased exceeds 100*l.*, estate duty may become payable, and before payment is made a statutory declaration may be required that the value of the estate, including the insurance money, does not, after deducting the debts and funeral expenses, exceed 100*l.* (*See* the Friendly Societies Act, 1896, section 59, and the Savings Bank Regulations, 1905, Regulation 79.) I do not know under what authority the money is paid at once either by the North British Mercantile Insurance Company or by any other body. I can only imagine that, if such payment is made, it is a mere payment on account which is thought to be safe. An arrangement of this kind might, perhaps, be made by the Post Office. It might require some communication with the Commissioners of Inland Revenue, as the existing Savings Bank Regulation on the subject was settled carefully with them.

(ix) The question of the investment of the fund is one of financial management, and depends entirely upon the National Debt Commissioners.

(x) As regards the question of revising the tables of premiums, there is authority under the Government Annuities Act, 1882, section 5, to make any kind of payment which is thought expedient.

As regards the suggestions which require legislative sanction, the following observations occur to me:—

(i) The limit of a Savings Bank insurance is put at 100*l.* by section 4 (1) of the Government Annuities Act, 1882. The Committee of the House of Commons of 1882, upon whose recommendations the Act of 1882 was passed, recommended the increase of the limit to 200*l.*, mainly on two grounds:—

(*a*) That, with so low a limit as 100*l.*, the interest on the maximum sum deposited in the Post Office Savings Bank would, in the case of a depositor of, say, 30 years of age, pay for a larger insurance than 100*l.*; and

(*b*) That Friendly Societies were allowed to issue policies up to 200*l.*, and the Royal Commission on Friendly Sscieties, which reported in 1874, recommended that the Post Office should be allowed to issue policies for the larger amount (*see* page vi, paragraph at top of page of Report of Select Committee of 1882).

The Act of 1882 abolished the downward limit of insurance, which under the Act of 1864 stood at 20*l.* (*see* section 5 of that Act). By the Collecting Societies and Industrial Assurance Companies Act, 1896, an industrial assurance company is defined as "A person "or body of persons whether corporate or unincorporate "granting assurances on any one life for a less sum "than 20*l.*" If this definition be adopted, the Act of 1882 for the first time authorised the Post Office to grant industrial assurances.

(ii) As regards the question of "with profits" tables, it seems to me that profit-sharing is authorised by the Government Annuities Acts as they stand. Section 5 of the Act of 1882, after authorising the Treasury from time to time to cause new tables to be constructed, provides (subsection 9) that if the fund formed by the receipts from insurances* is so much in excess of the liabilities that it is possible to reduce the rates, and a new table is made for the purpose, the Treasury may provide for giving to the persons entitled to insurances in force at the time such portion of the surplus as seems just in such manner as seems expedient. It has been said that this is inconsistent with the provisions of the Government Annuities (Investments) Act, 1864, which directs (section 3) that, if upon the accounts rendered by the National Debt Commissioners in relation to annuities and insurances the value of the assets is more than sufficient to meet the liabilities, the Treasury are to cancel securities to the extent of four-fifths of the surplus. I do not think there is any inconsistency. Section 13 of the Government Annuities Act, 1882, expressly applies the Government Annuities (Investments) Act, 1864, to all sums received by the National Debt Commissioners in respect of deferred annuities and insurances, and then provides that if any contract for an annuity or assurance is cancelled or varied in pursuance of the Act the National Debt Commissioners may vary the charge on the consolidated fund, and on the fund created under the Government Annuities (Investments) Act, 1864, in such manner as may be necessary to carry into effect the variation; and the Treasury may, if necessary, create new securities in lieu of any securities which have been cancelled. I think it is clear, therefore, that the principle of profit-

* As a matter of account there must under this provision be a separate fund for insurance. Section 13 (i) gives to the National Debt Commissioners power to open separate accounts.

sharing is sanctioned by the Act of 1882. I understand the rates are at present as low as the field of investment will allow. If this is the case, it is not clear how anything will be gained by increasing the rates and dividing up the surplus thus obtained.

As a matter of fact, I understand that insurances prior to 1884, when the first tables under the Act of 1882 were made, and prior to 1892, when the tables were revised, have received the benefit of the lower rates established in 1884 and 1892.

(iii) As regards an extension of the area of investment, section 1 of the Government Annuities (Investments) Act, 1864, directs that the National Debt Commissioners are to invest in the same securities as those held on account of Savings Banks. If the area of investment is to be enlarged beyond Government securities an alteration of this provision will be necessary. As the Savings Bank and insurance systems are closely interwoven, and, moreover, it is difficult for the Savings Bank to pay its way under the existing system of investment, it would probably hardly be possible to widen the area of investment for insurance without also widening it for the purpose of the Savings Bank generally. This subject was considered by a Select Committee which sat in 1902, and the proposal was negatived on the ground that:—

(*a*) The depositors were not entitled to a higher rate of interest than their deposits could earn without diminishing the security of the investments resorted to;

(*b*) The price of other trustee stocks would be driven up by their use for Savings Bank purposes; and

(*c*) The re-investment would have to be so gradual as to be useless for preventing the threatened deficiency on the income account.

From the evidence of Mr. Daniell, the broker to the National Debt Commission, it appeared that the total amount of Government securities then created was 745,000,000*l.* odd, while the total amount of other trustee securities was nearly 1,148,000,000*l.*

(iv) The extension of the limit of insurance without medical examination to 50*l.* would require an alteration of section 6 (*a*) of the Government Annuities Act, 1882.

(v) As regards a reduction of the minimum age, the limits of age fixed by the Act of 1864 are 16 and 60 (section 4). These were enlarged, in consequence of the Report of the Committee of 1882, by the Government Annuities Act, 1882 (section 4), to 14 and 65, with a special exception that an insurance of 5*l.* might be effected on any child over eight years of age. The Act also suggested (section 6) that the Regulations to be made under the Act should make provision in relation to payments on the death of children under 10 years of age similar to those contained in the Friendly Societies Act, 1875. This provision has been superseded by section 62 of the Friendly Societies Act, 1896, which provides that friendly societies shall not insure or pay on the death of a child under five more than 6*l.*, or on the death of a child under 10 more than 10*l.*, these payments to be the total amount paid on the death by all societies, and a system of certificates being instituted to check the total payment. (*See* sections 62 to 67.) These provisions would have to be observed in any case, and, speaking generally, I think great care ought to be taken in increasing insurances on the lives of very young children, for obvious reasons.

(vi) I see nothing to prevent the application of the surrender value of contracts to the payment of premiums under the Acts and Regulations as they stand. It would merely mean that the policy was not avoided until premiums were in arrear to the extent of the surrender value. As regards assignments by way of mortgage, the Government Annuities Act, 1864, provides, by section 11 as amended by section 10 of the Act of 1882, that an assured person may assign his policy after two years, or after the policy is purchased by a single payment at once. But the assignee of such policy is to take both at law and in equity all such right of interest as was possessed by the assignor. The Act of 1882 further provides that no notice of any trust expressed, implied, or constructive affecting any Savings Bank insurance, with certain specified exceptions, shall be entered upon any contract or be receivable by the National Debt Commissioners or any Savings Bank. Notwithstanding these enactments, Savings Bank insurances are, I believe, used as a security for money. In such case an absolute assignment is made, and entered by the Post Office under Regulations 39 and 40. Probably there is an outside agreement between the insured person and the person or body lending the money, and I should think that, if the loan were paid off the court would, notwithstanding the enactments to which I have referred, direct the mortgagee to re-assign the policy to the mortgagor. I think there would be some inconvenience in having mortgages entered upon the books of the Department. It seems better that any such arrangements should be effected outside the Departmental records, and without the knowledge of the Postmaster-General.

Sir R. Hunter.
26 Nov. 1907.

Mr. Batchelor complains that an insurance on the life of one person cannot be granted to another person, except in the case of a married woman on the life of her husband. The insurance of lives on which the person insuring has no interest is made illegal by the Life Assurance Act, 1774 (14 George 3, cap. 48), which was passed to prevent gaming or wagering in policies. This principle of the general law could not be departed from in the case of the Department.

Speaking generally, I do not think that any changes in the Regulations under which insurance is effected through the Post Office Savings Bank would have any great effect in stimulating business unless some measures are taken for canvassing, or the friendly societies and other bodies connected with labour could be induced to co-operate with the Postmaster-General in recommending insurance. There seems to me to be considerable objection to canvassing by outside agents on behalf of the Government, but these objections do not seem to apply to Government servants, and if they were allowed to canvass, and were paid commission, possibly a considerable increase of business might arise.

As regards friendly societies, an effort was made some years ago to induce them to recommend to their members the purchase of annuities and old age pay through the Post Office, and under Regulation 45 all questions of keeping up the policy might be arranged between the friendly society and the Postmaster-General when once the policy was effected. The friendly societies, however, did not at the time show any desire to co-operate with the Post Office in extending Government insurance business. It has been suggested that friendly societies themselves take up policies on the lives of their members. This could not be done unless the society had an insurable interest in its members. But everything short of this can be arranged, and if the friendly society had insured any member it might counter-insure in the Post Office. I am under the impression, however, that friendly societies do not transact much insurance business.

There also seems to be no reason why the recommendation of the Committee of 1882 to increase the maximum amount of insurance to 200*l.* should not be adopted. Whether the Government should go beyond this figure seems doubtful, as it cannot be suggested that insurance business is not amply provided for and well conducted by outside agencies.

1285. I will take you through the things that we have dealt with, taking first the revocation of the special provision as to suicide. I think I ought to say that the object that everybody had in view was the simplification of the proposal form. Would you have any objection to that being referred to? There is a vast mass of information on the proposal form, which Mr. Davies and others are anxious to get rid of if they can?—That is entirely a matter for departmental arrangement. The Statutory Regulations 16, 18, and 19 require comparatively few things. Regulation 16 says: "In the proposal the following "particulars shall be specified—the Christian name, "surname, occupation and residence of the purchaser; "Christian name, surname, occupation and residence "of the person upon whose life the insurance is to be"; then the place and date of birth of the insured person, the sum it is proposed to ensure, the nature of the proposed insurance, how it is to be purchased—by annual instalments or otherwise—and whether it is proposed to obtain a medical certificate, and whether the purchaser has a deposit in the Post Office Savings Bank,

Sir R. Hunter.

26 Nov. 1907.

and then the names and addresses of certain referees. That is all you are bound to put in.

1286. Therefore that is departmental, from your point of view?—Yes; it is purely departmental. I suppose that those forms were settled with the National Debt Commissioners.

1287. (*Chairman.*) With regard to the particular provision as to suicide, there is no special legal obligation for that that you know of?—No, but I think it would be rather unusual not to avoid a policy for suicide, would it not? We are not bound to avoid it, and we do not apparently. I should have thought it was better to keep the provision, and to waive it where it was thought fit.

1288. You mean, do away with the printing on the policy, and keep the thing by reference. As you know, there is a vast mass of legal information that all lawyers wish to put on which is fought against just as much by private companies as it is here. The bolder companies do away with a lot of it?—I should have thought that a policy ought to be avoided for suicide, or that there ought to be power ——

1289. You might make it avoidable, but not necessarily put it on the proposal form?—You must put it on the proposal form or the policy.

1290. (*Mr. Davies.*) It is in the policy?—You could put a note on the proposal form. You do not on the proposal form have the question: "Are you proposing to commit suicide," I presume?

1291. (*Chairman.*) Why do you consider it is necessary to go on with this if the offices do not?—I am not sure that the offices do not; it may be so. I should think you would find on a policy a note in some form or other with regard to this.

1292. At any rate, perhaps you will see whether it can be met in any way from the departmental point of view, or shortened?—Yes. I do not remember how it is referred to in the policy at the moment.

1293. (*Mr. Davies.*) It is No. 3 (*handing a policy to the witness*)?—Do you think that that seriously deters anybody from insuring?

1294. (*Chairman.*) Yes, I think the enormous amount of rubbish that is put on for the sake of one solitary case that may occur in 100 years, costs in printing in a year probably more than any gain likely to accrue to the Post Office. That is the reason why it seems to be unnecessary?—I should not have thought that leaving that out would increase the policies by one a year.

1295. That is what is said by somebody or other to each attempt to shorten or simplify?—It seems to be so natural and reasonable.

1296. Your opinion is that it is legally necessary?—Yes. I should be against leaving that out personally.

1297. If there were a note, "Suicide avoids this policy," or something perfectly simple of that sort, that is all that is wanted really?—It is just the same thing.

1298. Are there not seven lines?—No, it is only one single line.

1299. (*Mr. Davies.*) It is one of six clauses?—There is a long clause about going out of the country. If you omitted that that would be much better.

1300. The idea was to cut these down as much as possible, and it was thought that, in trimming, suicide might be left out too?—I should not omit it.

1301. (*Chairman.*) The object really was to make the contract as simple as possible. This is an inter-departmental matter. We have explained what the idea was in these questions. The idea was to simplify, as far as possible, what the public see. The other points that were raised this morning were, one, the provision of "with profits" tables. Mr. Batchelor says that that requires legislative sanction. You think that that is a departmental matter, possibly?—I think that the Acts as they stand contemplate profit-sharing.

1302. Have you ever considered the point that Mr. Hewby raised—that, if you gave profit-sharing in the ordinary sense, you might be returning more than 100*l.* to the insured?—I do not quite know what you mean by "profit-sharing in the ordinary sense." One of the regular means of profit-sharing is by reduction of premium. That we have already. Not only is that sanctioned by the Act of 1882, but it has actually been done in 1882 and 1894. When the premiums were reduced, persons already insured got the advantage of the reduction. I have noticed that in 1884 they actually made a return to people who were insured before the Act of 1882, in consideration of their having been at more trouble, or something of the kind, or not having had the advantages of the Savings Bank system of paying in and taking out.

1303. That is a form which, I think, technically, they were not meaning. They were meaning distributing profits after the quinquennial valuation?—But you do distribute profits if you reduce the premium.

1304. That entails a large and laborious recasting of the tables?—It has not seemed to be a matter of much difficulty when it has been done in the office.

1305. Another point that was raised about that, if I recollect rightly, was, that if you put a table down, it is extremely difficult for the Government to put it up again, and that, therefore, at a revaluation at the next quinquennial period, it would be difficult to alter?—If this is the point, I do not think that the Acts as they stand provide for a return in cash.

1306. You do not think that?—No, I do not think they do.

1307. That is the point?—But they do contemplate a reduction of the premium, not only for the future, but in favour of people who are already insured.

1308. I was particularly mentioning the provision of "with profits" tables. It would be very difficult to produce a "with profit" table showing that you were going to get a reduction in what you were going to pay if the valuation showed a surplus?—But surely the ordinary insurance company has a non-profit-sharing and a profit-sharing table, and if you insure on the with-profit-sharing principle, at the end of every five years, or whatever the period is, they tell you that you are entitled to a return of so much in cash, or an increase in the amount insured, or a reduction in your premium.

1309. That is quite true. It is purely a question of, as you say, a cash return?—Yes, the cash return is the difficulty.*

1310. The only other points on the discussion this morning were the question of the granting of loans within the surrender value of contracts, and the application of the surrender value to the payment of premiums. You say that as far as possible the surrender value should be applied to the payment of premiums?—I think it might be so applied. I think it is merely a question of not pressing, but of allowing, a man's premiums to remain in arrear until the surrender value is eaten up. As to the other point, I think it would be rather embarrassing the books of the Department and the arrangements of the Department if we recognised the mortgage of policies. No doubt people now mortgage their policies by outside arrangement. A man can raise money on Consols, but the Bank of England does not recognise the charge.

1311. We wish to know whether that would require legislation?—It would.

1312. But the surrender value need not?—No. It is merely that you do not collect the premium. You let it stay in arrear. A definite charge on the policy which we recognised would require legislation. They do charge the policies now, but a charge that we recognised would require legislation.

1313. Those are the main points. You said: "Speaking generally, I do not think that any changes "in the Regulations under which insurance is effected "through the Post Office Savings Bank would have "any great effect in stimulating business unless some "measures are taken for canvassing or the friendly "societies and other bodies connected with labour "could be induced to co-operate with the Postmaster-"General in recommending insurance"?—Yes, that is my view. I do not think, myself, however much you improve the conditions in all the minor points that have been considered, you will get any large business into the Post Office unless by some means or other you employ people to get it for you, either directly by arranging with other Government servants, and so on,

* (Note by Witness.) See, however, Q. 1358-61.

to induce their friends to insure and giving them a commission, or making some arrangement with bodies representing labour, like the friendly societies and trade unions, by which they induce their people to insure. Then we could allow them a commission and they could undertake all the arrangements for paying premiums, and so on, out of the man's contributions. We did try to initiate arrangements of that sort some years ago, but the friendly societies did not respond then at all. Whether they would now, I do not know; but unless something of the sort is done I do not believe anything you do in the way of improving the system in detail will ever give you a large business. You see insurance is a bother to people. Nobody insures unless he has an object in doing it, and is pressed to do it in some way. The working-man least of all wants the bother of filling up a form and going somewhere and signing it. He will not do it unless he is pushed into it and persuaded and canvassed.

1314. You do not consider that having the British Government security behind you is sufficient inducement?—Not a bit; I do not think they pay very much attention to that.

1315. With regard to canvassing, which is the essential point, you see objections to any outside canvassing being allowed, such as is done with regard to the Government telephone at present?—Yes, I think it would be rather undignified for the Government to tout for insurance business. Lots of other bodies insure, and do it very well. I do not think there is a case for our employing outside agencies; and the question of expense also comes in.

1316. With regard to friendly societies, we are probably going to hear the Registrar-General as to whether he thinks they would be favourable. The only other point that you mention on that page is the question of the limit being raised?—With regard to the friendly societies, I would like just to say that something was said about their taking up policies. They could take up policies, of course, on the lives of their members, if their members were already in debt to them. They must have an insurable interest. The point is that no one man or body of men can insure the life of anybody unless he has or they have an insurable interest; otherwise the insurance is void. It is a gaming insurance, and it is void.

1317. Under an old Act of George III.?—Yes, under an Act of George III.

1318. That is to say, that a friendly society cannot insure generally?—Not in their own names. They could arrange, of course, with their members to take out insurances in the names of their members on the lives of their members, and they could pay the premiums. They could receive from the member payments in any way they liked, in any amount, at any periods, and pay the premiums when they became due. They could do all that. But they cannot take out a policy in the name of the society, or in the name of an officer of the society on the life of a member, unless the member is indebted to them; but they might counter-insure with us. For instance, they can insure the lives of their members up to 200*l*. Supposing they insured their members against death, they could re-insure with us, I take it, because then they would have an insurable interest in the life.

1319. Therefore, it depends entirely on their having an insurable interest whether they can keep up the payments directly, but that would not apply to the case of recommending their members to go to the Post Office?—No, they can do that, and they can do a great deal more than that. They can get the proposal form, and get a man to fill it up and witness it for him and send it to the Post Office. They can act as a go-between, and do everything that is necessary, and collect the premiums in any way they like, and pay them over to us on the due dates. Anything of that sort they can do. All that they cannot do is to take out a policy in their own names.

1320. I quite see the difference, but I do not know that I thoroughly grasp the reason of the Act, because I have not read it?—The Act is a very short one. I will read it to you if you like. The Act says: "Whereas it hath "been found by experience, that the making insurances "on lives, or other events, wherein the assured shall "have no interest, hath introduced a mischievous kind "of gaming: For remedy whereof, be it enacted by the "King's most Excellent Majesty, by and with the "advice and consent of the Lords Spiritual and Tem- "poral, and Commons, in this present Parliament "assembled, and by the authority of the same, That "from and after the passing of this Act, no insurance "shall be made by any person or persons, bodies politick "or corporate, on the life or lives of any person or "persons, or on any other event or events whatsoever, "wherein the person or persons for whose use, benefit, "or on whose account such policy or policies shall be "made, shall have no interest, or by way of gaming or "wagering; and that every assurance made contrary to "the true intent and meaning hereof, shall be null and "void, to all intents and purposes whatsoever.

"And be it further enacted, that it shall not be "lawful to make any policy or policies on the life or "lives of any person or persons, or other event or events, "without inserting in such policy or policies the person "or persons' name or names interested therein."

1321. (*Chairman.*) What is the penalty?—The penalty is that the policy is null and void.

1322. It is a statutory prohibition in that particular case?—"That in all cases where the insured hath "interest in such life or lives, event or events, no "greater sum shall be recovered or received from the "insurer or insurers than the amount or value of the "interest of the insured in such life or lives." Then there is an exception in favour of ships. You can insure ships. "That nothing herein contained shall extend, "or be construed to extend, to insurances *bonâ fide* "made by any person or persons, on ships, goods, or "merchandise."

1323. (*Mr. Brown.*) With regard to the question of loans, what some of us have had in mind I think has not been so much the assignment of the policy as security for a loan from an outside source, as the granting of a loan by the Post Office itself upon the security of the policy. That would be illegal at present, I presume?—Yes. You cannot register any assignment of a policy at present, except an absolute assignment. Of course, I suppose the Department could take a deposit of the policy for money advanced on it if they chose, because that would be perfectly safe if you had the policy.

1324. Could that be done without alteration of the law?—Yes, I think so.

1325. (*Mr. Turpin.*) That would be an investment, would it not, not authorised by the Act?—Yes, perhaps it would. I suppose it would.

1326. (*Mr. Brown.*) With regard to the question of canvassing, you see considerable objection to canvassing by outside agents, but these objections do not seem to you to apply to Government servants. Would you propose that Government servants should canvass the public generally?—No, I did not mean that.

1327. You did not?—No, I only meant inside the Department.

1328. (*Mr. Davies.*) Apart from the question whether legislative sanction is wanted or not, do you think that liberty to apply the surrender value to the payment of premiums falling in arrear would be a good thing?—Yes, I think it would. What I understand is, that you would allow a man's premiums to fall into arrear without confiscating his policy up to the surrender value.

1329. Yes—up to the surrender value?—So that if he became able to pay at any time during that interval the policy would be kept alive.

1330. Yes—charging him a moderate rate of interest for the accommodation?—That seems to me to be very reasonable and very good.

1331. Do you think that there is any objection on principle to going one step further? If a man wants a loan on his policy, not necessarily up to the full surrender value, do you think there would be any objection to the Government granting it at a moderate rate of interest, just as an insurance company grant it?—You mean independently altogether of legislative sanction?

Sir R. Hunter.

26 Nov. 1907.

1332. Yes?—No, I do not see any objection in principle.

1333. It would merely be making Government insurance as accommodating as company insurance?—Exactly. It would be absolutely safe, because you would not lend beyond the surrender value.

1334. Yes, exactly. As regards the question of immediate payment on death to the extent of 50*l.*, you say that you do not quite understand what Mr. Batchelor meant by saying that members of friendly societies can obtain payment of 50*l.* on an insurance, immediately on death, while persons insured with the Post Office have to wait until it is ascertained that no estate duty is payable. The particular case which he had in mind was a special arrangement made by the Civil Service Insurance Society, by which any Civil servant can insure for a sum of 50*l.* which is payable to his nominee immediately on proof of death, without inquiry as to the total value of the estate in any way. It is paid by the North British Insurance Company, but in order to obtain payment in a direct and informal way, the Civil Service Insurance Society have to be registered under the Friendly Societies Act?—But then, I do not see that that makes the slightest difference. That is what I do not understand, because the Friendly Societies Act most distinctly provides for deduction of estate duty in the same way that our Regulations provide for it. Section 59 says: "When "the principal value of the estate in respect of which "estate duty is payable of any person entitled to make "a nomination under this Act exceeds one hundred "pounds" (the principal value of the estate, you see, not of the amount insured) "any sum paid under this "Act without probate or letters of administration shall, "notwithstanding such nomination or payment, be "liable to estate duty as part of the amount on which "that duty is charged, and the trustees of the society "or branch may, before making any such payment, "require a statutory declaration by the claimant, or by "one of the claimants, that the principal value of that "estate including the sum in question, does not, after "deduction of debts and funeral expenses, exceed the "value of one hundred pounds." That is exactly the same provision that we have, except that in our case the requirement of a declaration is made obligatory.

1335. I do not know whether my information is correct, but as I understand it the very *raison d'être* of the provident society is to to enable its members to obtain 50*l.* without inquiry, and the society merely exists to insure the payment of 50*l.* at a time when money is wanted at once?—But I do not understand how they get rid of that provision. You may pay the 50*l.* and take the risk, of course, but then, if the estate is of greater value than 100*l.*, and estate duty is payable and is not paid, the Inland Revenue Department would be entitled to follow their claim into the hands of the party making the payment.

1336. I understood that the difficulty of paying 50*l.* without a declaration as to the total value of the estate could only be got over by registration under the Friendly Societies Act, and that registration was obtained, and I believe that that system is now working. It still may be illegal?—Well, I do not understand it—that is all I can say—because here is a distinct provision, which I have just read to you, applicable to friendly societies.

1337. (*Chairman.*) What is your opinion with regard to whether there must be one fund under the Act for insurance and deferred annuities, or whether they may be separated?—I think not only may they, but they must be, separated under the Act of 1882.

1338. There is a difference of opinion?—It seems obvious under that Act.

1340. It is a very controversial point?—Section 5 subsection (9) of the Act of 1882 says: "If the "fund formed by the receipt of sums in respect of "insurances is so much in excess of the liabilities "that it is possible to reduce the payments made "to obtain insurances, and a new table is made under "this section for that purpose," then the Treasury may give other people, who have previously insured, the benefit. That implies that there must be a separate fund for insurance. How could you possibly tell otherwise? Section 13 says:—"(1) All sums paid "in order to obtain Savings Bank annuities, and insur- "ances, shall be paid into the bank to the account of "the National Debt Commissioners, and there carried "to such account, or accounts, and under such title, or "titles, as the National Debt Commissioners, from time "to time direct, but such current outgoings as herein- "after mentioned may be defrayed thereout, either "before or after such payment into the Bank, and the "application thereof, hereinafter mentioned shall be "subject to such defraying of outgoings. (2) The sums "paid for immediate annuities shall be forthwith "applied in the purchase of Government annuities "(that is to say), of perpetual Bank annuities, termin- "able annuities, Exchequer bills, Exchequer bonds, or "Treasury bills, and the securities so purchased shall "be forthwith cancelled and cease to be charged on "the Consolidated Fund. (3) All immediate annuities "granted under this Act shall be charged on the Con- "solidated Fund and issued thereout, or out of the "growing produce thereof, at such times as the "Treasury may from time to time direct with a view "to the due payment thereof to the persons entitled "thereto. (4) The Government Annuities Investment "Act, 1864, shall apply to all sums paid into the Bank "as aforesaid, other than amounts applicable for im- "mediate annuities as above provided." Immediate annuities you deal with separately.

1341. (*Mr. Turpin.*) They must be separated?—Yes.

1342. The contention is that the deferred annuities and insurances ought to go together?—How can you tell that your insurance fund is in such a state that you can reduce your premium?

1343. We keep two accounts now, but there is only one fund under the Act?—I do not see the distinction. You may put them all into one fund, but so long as you keep a separate account, that is the important thing.

1344. (*Chairman.*) That is the point?—It does not matter about their being all put into one fund if you have a separate account.

1345. (*Mr. Turpin.*) Yes. When you come to consider whether there is a surplus or a deficiency you consider it on the aggregate?—But then that does not comply with that subsection of the Act. "If the fund "formed by the receipt of sums in respect of insurances "is so much in excess of the liabilities that it is "possible to reduce the payments made to obtain "insurances."

1346. You find that the insurance fund is paying as it is now, and you reduce the premiums?—Your fund is made up partly of insurances and partly of deferred annuities.

1347. Yes?—Then that is not *the* fund.

1348. We keep the two accounts separately inside the one fund?—Perhaps I do not clearly understand the distinction, but I think that your premiums must depend on the money you receive for insurances alone, and that you have no right for that purpose to mix up the money.

1349. We do not mix it up for that purpose; but with regard to the state of the funds, if one part of the fund shows a deficiency, we use the other part of the fund, if that shows a surplus, to meet that deficiency. The whole fund together is for their security?—From the point of view of the security of the annuitants and insurants that would be so, no doubt. I agree.

1350. (*Chairman.*) If one is solvent and the other is insolvent, it is rather hard that the fund should be considered as one?—But I do not think that that is the meaning of the section, because the section distinctly says: "If the fund formed by the receipt of sums in "respect of insurances is so much in excess of the "liabilities."

1351. We wanted to get from you your view on that?—That is my construction of that section undoubtedly. I do not think that the National Debt Commissioners have any right to bring into the question of the sufficiency of the insurance fund to warrant a diminution of premiums, the quite distinct question whether they have a deficiency on the deferred annuity fund.

1352. (*Mr. Turpin.*) It is under an earlier sub-subsection that they do that—subsection (4)?—That is

a different object altogether. Subsection (4) says: "The "tables shall be framed in such manner that the fund "formed by the receipt of sums in respect of deferred "annuities and of insurances, and the amounts paid for "immediate annuities shall, respectively, be adequate "(after payment of expenses) to meet all claims without "causing any loss to the Exchequer."

(*Chairman.*) I will ask Mr. Denman to take the chair now, if it is your pleasure.

Mr. DENMAN took the Chair.

1353. (*Mr, Turpin.*) That means that the combined fund must be solvent?—I think that that last subsection is so very definite that, if necessary, you must construe the word "fund" in subsection (4) as distributed between deferred annuities and insurances, otherwise I do not see how you are possibly to have a fund which is formed by the receipt of sums in respect of insurances.

1354. It is possible to have one fund which is kept in two distinct parts inside itself?—But that is not the test which is applied by subsection (9). The test which is applied by subsection (9) is, whether the fund formed by receipts on insurances alone is in excess of the liabilities, and it says that if it is, you are to have a new table.

1355. We actually keep the deferred annuity fund distinct and the insurance fund distinct, and they both together form one fund?—If you treat them as forming one fund for the purpose of seeing whether there is a deficiency or an excess on the whole, then you are not complying with subsection (9).

1356. (*Chairman, Mr. Denman.*) Is it not the fact that subsection (9) is permissive? It is open to the National Debt Commissioners to do this in such circumstances as they deem expedient, and it is open to them to lay it down that a condition of expediency is that the combined fund shall show a surplus?—Of course there is nothing in this Act which obliges the Treasury to reduce premiums at all, I quite agree; but the scheme of the Act is, that if the insurances are paying you ought to reduce the premiums without reference to the deferred annuities. That, I think, is the scheme of the Act.

1357. (*Mr. Davies.*) The position now is that at the last valuation there was a large surplus on the insurance business and a large deficit on the annuity business?—I think under this Act the insurance premiums ought to be reduced.

1358. There has been some talk about the application of profits, and you said, Sir Robert, that the present Act does not provide for a return in cash?—Yes.

1359. Do you take it that the present Act would permit of an addition in respect of profits to the amount insured?—I am not sure that the Treasury could not make a return in cash, when you look at that clause. It says that the Treasury may provide for the purpose of giving the persons entitled to insurances in force such portion of the surplus fund as seems just in such manner as seems expedient. I think that they could make a return in cash.

1360. I understood you to say that they could not?—Yes, I think I did, but I ought to amend that answer. It is left entirely in the hands of the Treasury. They could make it in cash if they chose to do so, I think.

1361. You think that the Treasury would have power under the present Act to add any share of profits to the total amount of insurance?—Yes, but it seems to be a necessary preliminary that they should make a new table. An ordinary insurance company does not make a new table—it merely returns the profits. Apparently this return of profits is only contemplated in the case where a new table is made.

1362. You said that the difficulty which the Post Office has in doing a large business amongst the industrial classes is that the working-man must be persuaded. That means canvassing. I see that further on you express the opinion that it is doubtful whether the Government should increase the maximum amount of insurance to an amount higher than 200*l*. I quite admit that the working-man requires persuasion, but has it come under your notice that a good many people who would be glad to insure with the Government are now precluded from doing so, because they want an insurance of more than 100*l*., and cannot be accommodated?—I am quite willing to take that from you, but then, of course, the question comes in, whether it is necessary that the Government should provide insurance for all and sundry, or whether it is not enough if they give the working-man, who is supposed to be more likely to be misled on account of less knowledge and so on (he may go to a bad company), the opportunity of insuring with Government security. It is a matter of policy. The question is, whether that does not exhaust their legitimate activities in connection with insurance, and whether they need to go on and provide persons of the middle class, who are perfectly able to take care of themselves, and who have the pick of a large number of insurance companies, with the means of insuring with Government security.

1363. You feel that the duty of the Government should be to provide for people who are ignorant of business matters, for instance, the working-man?—Yes, that has been rather the idea of the Savings Bank, and all these arrangements in connection with the Savings Bank. The Savings Bank, you see, is provided in theory for people of small means, and you cannot put in more than a certain amount; and so it is with insurance. The idea is, I think, to provide for the same class of persons.

1364. Would you consider that that class was fully provided for by increasing the limit to 200*l*.?—I should have thought so. I should have thought that that was a fair limit, but I do not feel very strongly about it.

1365. What kind of evidence would you require to substitute a higher figure for 200*l*.? You have given a view in favour of an increase to 200*l*.?—I should require evidence that there was a strong demand for a larger figure from persons of various stations in life above that of the working-man.

1366. If you found that amongst small professional classes, small tradespeople, and people who are depositors in the Post Office Savings Bank, there was a strong demand for insurance up to 500*l*., Government security being above all things the thing desired, would you consider that that justified the Government in submitting a Bill raising the limit to 500*l*.?—I think it would be some evidence in favour of such a measure; of course, there are other matters to be considered in connection with it. I do not think that it would be conclusive, and then of course it depends so much upon the body of the evidence. Your whole body of insurers is very small. If this demand only proceeded from a certain number of those it would not come to very much. If, on the other hand, you could say that nine tenths of your Savings Bank depositors were eager to insure up to 500*l*., or anything of the sort, that would be, of course, a strong body of evidence. It seems to me that it is a matter that must be treated upon rather large lines.

1367. As a matter of fact, I think one could show a larger demand for insurances above 200*l*. than insurances up to 200*l*. That is the figure you mentioned?—I mentioned that figure because it was recommended by the Committee of 1882, upon whose recommendations this Act of 1882 was introduced. I do not know that there has ever been any very reasoned objection to that increase produced. It appeared in the Bill as first framed, and then was cut down. So there is a considerable body of evidence in favour of the 200*l*. limit.

1368. Yes, it was in the Bill as first framed. Since those days, would not you say that a case for 300*l*. had arisen, from the analogy of the Workmen's Compensation Act, which values the life of a workman at 300*l*.?—The maximum—the outside value.

1369. Yes?—There is something to be said for that, I think. I should think there is more to be said for 300*l*. than for 500*l*.

1370. At this moment?—That last argument of yours has a good deal of weight in it, I think; but the same argument would rather go to limiting it to 300*l*. if you have in view the working-man.

Sir R. Hunter.

26 Nov. 1907.

1371. But so far, the Savings Bank has not brought under your notice the number of applications received for insurances up to 500*l.*?—No. You are a much better judge of that than I am. I have not those particulars before me.

1372. You express this opinion without having been made acquainted with those applications?—I do not know the result of the correspondence with you. I am dealing with the question rather in the abstract. I think there is a very good case for going up to 200*l.*, or even 300*l.*; but when you go beyond that amount I think the general question is raised whether it is worth while for the Government to enter into competition with the insurance companies—whether there is sufficient ground for doing so.

1373. Even if a fairly substantial number of people desire Government assurance to that amount?—I do not think that that would be conclusive. It would be only one consideration to be taken into account.

1374. (*Mr. Turpin.*) With regard to surrender values, you are of opinion that they can be applied in payment of premiums without any legislation?—Yes, I think so, certainly.

1375. The insurer has a right to a surrender value under section 10?—Yes.

1376. He cannot fix the amount himself, but he has a right to a surrender value and a return of something?—Yes.

1377. Would you be justified in applying that without his sanction?—It seems to me that you do not quite do that, do you? A man falls in arrear with his premiums; you know that the policy is worth so much; so long as his premiums in arrear do not exceed the surrender value of the policy the Department does not lose. If he begins to pay again and pays up his arrears, the policy goes on. If he finally fails, the policy lapses, and you do not lose.

1378. He comes for his surrender value then?—Then you deduct his premiums in arrear.

1379. Have you any right to do that?—You have clearly a lien upon them.

1380. Supposing he complained that he intended his policy to lapse at the time when he stopped paying his premiums?—But he did not give you any notice. He did not apply for his surrender value at the time. I do not think he could say that.

1381. Is there a limit to the time when he can apply for a surrender value?—Yes.

1382. With his consent I do not see any legal objection, but you have no right to take money that that man is entitled to and apply it to one purpose, whereas he wants it for another?—But by not keeping up his premiums the policy lapses—it has gone. To take an illustration, supposing that the surrender value of a policy is 20*l.*, and the premium is 2*l.* a year, and supposing that for five years he does not pay his premium and he is 10*l.* in arrear and then comes and says, "I want the surrender value," you say, "Here is "your 20*l.*, but you owe us 10*l.*, otherwise the policy "is gone."

1383. But if the policy has gone he is entitled to the 20*l.*?—Not unless he claimed it at the time, surely.

1384. That is just the point—if we can only get him on that, very well?—I should say not. If you let your policy lapse with an ordinary insurance company and do not say anything, you cannot go five years after and ask for surrender value.

1385. I should think so, if it says in the policy that they grant a surrender value?—Surrender value only arises, I take it, where the man applies for it. Which is the particular section that you refer to?

1386. Section 10?—He may surrender his policy but this man does not surrender his policy.

1387. Are "lapse" and "surrender" treated as the same?—He does not surrender his policy; he allows it to lapse altogether. If there is any question about that, you could guard yourself by making it a condition of the policy that if the premiums are in arrear they shall be deducted from any surrender value.

1388. That is the point I want to be certain upon?—I do not think there is any difficulty.

1389. Is there no legal objection to charging interest?—There you get into an investment again. I do not know about charging interest. There is rather more difficulty about that. I do not know that you would be entitled to charge him interest; I do not think you could do so without a special provision. But I think you could certainly deduct his debt to you.

1390. Unless you could charge interest, you would not care about it?—That may be.

1391. (*Mr. Davies.*) The Postmaster-General has power to fine a defaulter?—Yes.

1392. Would not whatever gives him power to do that allow him to charge interest?—I think that you could manage it by giving appropriate notices to the man.

1393. There would be no difficulty in regard to that. I had no idea really that that was at the bottom of Mr. Turpin's criticism?—I think that you could construct a system which would enable you to meet those difficulties. They are points which have to be considered, I agree—but I think you could meet them.

1394. (*Chairman.*) Lord Farrer asked me to put a question on his behalf, and that is, whether under the provision of the Government Annuities Investment Act of 1864 four fifths of the profit on the fund can still be applied to the cancellation of debt?—I do not think that that provision prevents the profit-sharing. I do not think it prevents the application of the surplus in payment of profits.

1395. On the other hand, the possibility of profit-sharing does not prevent the appropriation of sums up to four fifths?—No, I do not think it does, because under the Act of 1882 the Commissioners can cancel, and then they can recreate securities if necessary. Section 13 of the Act of 1882 seems to be distinctly framed to meet that difficulty. It applies the Government Annuities Investment Act, 1864, to all sums paid into the Bank other than amounts applicable for immediate annuities. Then it says: "In the event of any contract for a "Savings Bank annuity or insurance being cancelled "or varied in pursuance of this Act, or any error "therein corrected, the National Debt Commissioners "may vary the charge on the Consolidated Fund, and "on the fund created under the Government Annuities "(Investments) Act, 1864, in such manner as may be "necessary for carrying into effect such cancellation, "variation, or correction, and the Treasury may, if "need be, create new securities in lieu of any securities "which have been cancelled." So that I think that the scheme is that the National Debt Commissioners shall act under the provisions of the Government Annuities Investment Act of 1864 and cancel the securities, but that nevertheless they are to ascertain whether there is any profit on the insurance fund and apply it in improving the insurance premiums, or paying profits, and if necessary they must adjust the matter by recreating securities.

1396. (*Mr. Davies.*) I think that Lord Farrer's point really was that there is no provision for cancelling Consols to the extent of four fifths of the surplus in the Act of 1882, which came into operation in June 1884; but there was a surplus in the five years ending on the 31st December 1885; that is to say, in a quinquennium covered partly by the 1882 Act and partly by the previous Act there was a surplus, and they cancelled the surplus under powers which apparently do not exist under the 1882 Act. I do not know whether I have made it quite clear?—Why do not they exist under the 1882 Act? The 1882 Act expressly applies the Government Annuities Investment Act, 1864, to all sums paid for insurances and deferred annuities. That is section 13 (4).

1397. Does not that defeat or conflict with the intention of another part of the Act as to the treatment of the surplus?—I do not think so. Section 13 was framed on purpose to put the financial arrangements on a consistent footing, and it distinguishes, you see, between immediate annuities and deferred annuities and insurances.

1398. I have not the Act of 1864 at all at my fingers' ends?—The quinquennial statement?

1399. Yes. I take it that there are certain things in that Act which it was necessary to keep alive in the Act of 1882, and that they are kept alive by that provision; but are they not precluded from treating the surplus now in any other way than that provided by the Act of 1882?—I do not quite see that. It does not appear to me to be so. The Act of 1882 distinctly applies the provisions of the Government Annuities Act of 1864 to the sums paid for insurances and deferred annuities, and consequently you have section 3 of the Act of 1864 absolutely applied to those sums, and section 3 says that the Commissioners shall submit a statement to the Treasury every five years, "and if it "shall appear that the amount of the liabilities is "greater than that of the said assets, the Commis- "sioners of Her Majesty's Treasury shall charge the "deficiency upon the Consolidated Fund; and if it "shall appear that the value of the assets is more than "sufficient to discharge the liabilities, the said Com- "missioners of the Treasury shall direct that there be "cancelled out of the securities held by the Commis- "sioners for the Reduction of the National Debt an "amount not exceeding four fifths of such surplus." I do not see how you can get rid of that. It seems to me that that is met by the fact that there is an absolute injunction, or, at all events, a direction to the Treasury in the Act of 1882, that if there is an excess on the insurance fund it may be applied in making new tables and returning profits, and in case there shall be any inconsistency between that and the provision for cancellation of the securities, subsection (5) of section 13 of the same Act gives the Treasury power to re-create securities. I do not profess to be much of an accountant, but I should think the way in which it works out is, that from time to time you actually cancel four fifths of the surplus. It is an absolute injunction, but there might be other matter of account that would come in. But at all events if, on the five years, you had a definite balance of 20,000*l.*, say, then the Treasury would cancel securities for four-fifths of that amount. Then, supposing that two years afterwards they found there was an excess on the insurance fund and that the insurance premiums were obviously too high, and they thought that they might be reduced, they could make a new table, and they could make a return to the persons who had already insured. They could make them an allowance by reduction of premium or in some other way, and then if they found that through these operations they ought not to have cancelled the securities they could re-create them. It is a matter of account altogether, it seems to me. It seems rather a round-about way, but that is how it seems to me that those different provisions work.

1400. You mean that they can make restitution to the insurance fund at any time by the re-creation of the stock which they have cancelled?—Yes.

1401. Supposing that the last valuation had disclosed a clear surplus, apart from any question of the deficiency on the deferred annuities, do you think that it is as open to the Treasury as ever it was to dispose of that surplus, or four fifths of it, by cancelling Consols?—Yes, it seems so. The Act says so.

1402. That is what Lord Farrer wanted to bring out?—It does seem to me at first sight that those two provisions are inconsistent, but I think that you can meet that by that provision which enables the Treasury to rectify accounts, so to speak. That is how it strikes me.

1403. (*Chairman.*) Do you remember why the negotiations with friendly societies broke down?—Mr. Lang would know more about that in detail than I do; but I gathered, at the time, that the friendly societies were invited to assist us in inducing their members to come into our system. We said that we would work with them and, I think, allow them to have commissions, and certainly allow them to be our agents with their members; but the friendly societies did not make any response. It fell flat altogether.

1404. At present the Post Office cannot give them commission on such business?—That is a pure matter of Treasury regulation. I suppose they cannot.

1405. Is it a matter of Treasury regulation for commissions to be given?—Yes, it is entirely a matter of direction from the Treasury; there is nothing statutory about it.

1406. On the general question, do you believe in encouraging the Post Office system into active competition with the kinds of insurance that the companies are undertaking?—I do not quite know that I follow exactly what you have in your mind when you say the "kind of insurance."

1407. Ought we to pursue the same classes of persons that the companies desire to get hold of?—The view which I take of the matter is rather this: that the Government wished to give persons with small means the opportunity of insuring with Government security, and that anything that we can do legitimately to bring to the notice of those persons that there is this means of insuring is proper enough; but I should not think that it is necessary to go beyond that and to actively take away business from private companies.

1408. In your view, from your recollection of a great many years of Post Office policy, ought such insurance to be confined to persons of small means?—Yes, that is rather my idea.

1409. (*Mr. Davies.*) Would Sir Robert feel warranted in giving us on the spot any definition of "small means." It is purely relative?—That, probably, is met by limiting the total amount of the insurance. A millionaire does not want to insure for 200*l.* or for 100*l.*

1410. Or for 500*l.*?—No, perhaps, not for 500*l.*

1411. (*Chairman.*) Do you wish to make any further statement or suggestion?—Upon these questions generally?

1412. Yes?—I never have been able to see why you should not put on the authorised tables, or on your versions of them which you circulate, the equivalent amount of weekly payment. It would not indicate that the premium was a weekly premium, but you would merely inform people that the annual premium which you specify in the table was equivalent to a weekly payment of so much. I have never been able to see any objection to that whatever.

1413. (*Chairman.*) That point has been suggested?—It was suggested, but it was said that it was supposed to be improper, because it might indicate that the payment might be made weekly; but you would take care to avoid that.

1414. It would be a matter of language?—Yes.

1415. (*Chairman.*) We are very much obliged to you for coming here?—I am very glad to be of any service.

The witness withdrew.

Adjourned to Tuesday next at 11 o'clock.

FOURTH DAY.

Tuesday, 3rd December 1907.

PRESENT:

LORD FARRER (*in the Chair*).

F. J. BROWN, Esq.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. G. TURPIN, Esq.
E. RAVEN, Esq. (*Secretary*).

Mr. F. SALISBURY called in and examined.

Mr. F. Salisbury.

3 Dec. 1907.

1416. (*Chairman.*) Will you be good enough to state your official position?—I am the Postmaster of Liverpool and Surveyor of the Liverpool district.

1417. Would you prefer to make any general statement before we begin?—No. I would rather that you asked me questions, my Lord. I have only just come back from leave, and I have really not had time to prepare any elaborate statement.

1418. The first question which I should like to ask you about is that of canvassing. I presume you take it that, practically speaking, it would be impossible to employ outside canvassers. Is that your idea?—I do not think it would be impossible, but I anticipate excellent results from allowing our own officers to canvass.

1419. The position which you have considered is that of the internal officers of the Post Office canvassing?—Yes, mainly first.

1420. Perhaps you would confine it at first to that?—I think I would do so at first.

1421. With regard to clerks, do they canvass now?—No, I cannot say that they do. It is well known that canvassing has been opposed by Committees that have inquired into it, and the general impression is that the Department does not want men to canvass, and there is practically none of it done. I have only known one case of regular systematic canvassing, and that was by the Inspector of Telegraph Messengers in my own office. For many years he habitually canvassed among all the boys who entered as telegraph messengers, and he secured a very large number of policies and a considerable income for himself.

1422. Did he brave the dislike that you speak of of the office to canvassing?—The arrangement was formally authorised by my predecessor and the then Controller of the Savings Bank, before I went to Liverpool. I found it in operation. He had definite official permission to do it.

1423. When you say that it was looked upon with official disfavour (that, I think, was the effect of your words), was that in the past?—It is so up to the present time.

1424. I dare say that Mr. Davies will ask you questions about that. That is a question which must be dealt with by the head officers. I do not wish to go into it myself. I was not aware that there was official disfavour with regard to internal canvassing?—I cannot give you any definite rule or instruction to that effect, but the question has been from time to time raised. I have myself occasionally raised it, and I have been told that Committees have reported against canvassing, and that is the general impression throughout the Service.

1425. I speak under correction, because I have only read these reports through once, but my recollection was that the canvassing that was objected to by the Committee of the House of Commons who sat on the subject, was external canvassing. Am I right? Probably your impression is that at any rate there was that, and that when you came to Liverpool you found that your predecessor had allowed the exercise of this canvassing, and it had been a success, as far as it went?—Yes.

1426. Was that canvassing confined to the officers of the Post Office?—Yes, and to one class of them. The canvassing was done by the Inspector of Telegraph Messengers, and those whom he canvassed were lads entering as telegraph messengers.

1427. Then he did not canvass the public?—No.

1428. With regard to postmen, that is a question, as of course you have seen, upon which there has been a general feeling that, the postmen's first duty being to deliver letters, it is undesirable that they should interfere in any way with this?—Yes. I have read the report of the 1893 Committee upon that point.

1429. Do you agree on the whole with that?—No, I do not.

1430. Would you explain how it is that you do not think that they would lose time?—They would be forbidden to canvass while they were actually on duty. The Service is now so completely organised, and the check upon the men's performance of duty is so complete, that I consider it would be practically impossible for a man to waste time and so delay his delivery or collection by canvassing, and I think that if he attempted to canvass, even if he were not pulled up officially, as he probably would be, the public on his walk would come down upon us at once. The public are very ready to resent even a few minutes' delay in the delivery of their letters.

1431. Does that extreme care in organisation apply to rural as well as to urban districts?—Yes. There is machinery for checking the time of every rural postman.

1432. And of every telegraph messenger? I am interested indeed to hear this?—Yes. The check with regard to the telegraph messenger is quite different, but the telegraph messenger cannot take too long over his delivery without being detected.

1433. As a matter of fact, do you think that a system could be devised that would absolutely control postmen and others on rural duty or urban duty with regard to their official work?—I do. The present system, if properly carried out, is sufficient to prevent any delay.

1434. I think that postmen are really the most important class as regards canvassing?—Yes. If the postmen could be induced to take up the work of canvassing, undoubtedly it would be so.

1435. Because they come into contact with practically all classes of insurers?—Yes, and rural men particularly generally have a good deal of spare time at the end of their walks that they could usefully fill in in this way.

1436. Are sub-postmasters officially rather discouraged from saying anything about the system?—I should not say that they have been discouraged, but they have not been officially encouraged.

1437. They get commission, I think?—Yes.

1438. And is that not enough to encourage them against official non-encouragement?—No. I have repeatedly asked sub-postmasters why they did not get more insurances, and the invariable answer has been: "We cannot compete against the agent who "goes round from house to house."

1439. Are you alluding in this case to deferred annuities as well as to life insurance? Would your

answer apply to all canvassing?—I was thinking of insurance, but I see no reason why it should not apply also to life annuities.

1440. When that canvass was made by your Liverpool agent, the inspector who canvassed the telegraph boys, was that with regard to purely life insurance?—Yes, life insurance only.

1441. (*Mr. Denman.*) We are first asked to consider "whether it is desirable that steps should be taken to "encourage the use of the present life insurance "system of the Post Office." Would you give the Committee your views on that point?—Decidedly, I think it is.

1442. For what purpose do you think encouragement is desirable?—Mainly that the poorer classes should have an opportunity of insuring their lives with Government security.

1443. Do you think it would be best that the Post Office should rather confine itself to the working classes, or that it should also offer facilities for wealthier people, if they wish, to take out insurances with the Post Office?—I think it is desirable that those rather better off—clerks and small tradesmen—should have the opportunity, and I see great difficulty in drawing a line between them.

1444. Do you think there is any real demand for Government security in connection with industrial policies?—The business is so little known and so little has been done that I cannot say there is anything that can be called a general demand, but I have had some experience in my own district, because three friendly societies in the suburbs of Liverpool came to the Post Office for the insurance of their members, mainly because there had been two or three instances in the neighbourhood of dishonest treasurers of these societies, and they wanted to protect themselves.

1445. Would you regard it as to the national advantage that the demand should be created?—Decidedly.

1446. You were giving an account of a special canvass among telegraph messengers?—Yes.

1447. Were the results of that canvass followed up year by year? Do you know if the policies were kept up?—In the past I believe they were, because most of the boys remained permanently in the Service as clerks or as postmen; but the conditions have entirely changed. We now have to dismiss practically all the boys at the age of 16, and quite recently, as I should have perhaps explained to the Chairman, I have had to get permission to withdraw the authority for the inspector to canvass among the boys, until they reach the age of 16.

1448. (*Chairman.*) For that reason—because they are dismissed?—Yes. I should like to explain why I had to raise the question. A boy had insured his life at the suggestion of the inspector, and he left the Service in about 18 months. His father then applied for the return of the premiums, or some part of them, and he was told that there was nothing returnable. I saw then that we might have many such complaints, and I felt bound to raise the question and to advise that the permission be withdrawn as regards boys under 16, because 16 is the age at which we weed them out and send them away.

1449. I do not quite understand why it applies more to the Post Office than to an insurance company. Do you mean that pressure was put on these boys to insure?—It amounted to pressure.

1450. That is rather an interesting question. I thought that canvassing merely meant asking whether a person would insure?—In form it would be that. The inspector is the official who instructs the boys, sees them when they come into the office, records the particulars of their ages, and so on, and he is their immediate superior officer. He brings the advantages of the insurance system before the boy, and gives him a proposal form, and tells him to take it home to his father. The insurances were never entered into without the consent of the parents. It nearly amounted to pressure. The boys very soon found that the inspector desired them to insure, and they did it.

1451. I do not want to go into the very large question that that raises, which you doubtless know about—that the trade unions object to anybody making the belonging to a friendly society or contributing to a pension fund a condition of service. You think that it amounted to pressure?—I certainly could not deny that it has amounted to pressure, because from the very fact that the inspector was their immediate superior officer, and that their comfort to a certain extent depended upon him, each boy felt constrained to do what the inspector wished him to do.

1452. That only applies, I presume, to canvassing for life insurance, because each one of those boys would, I understand, have come into the Civil Service scheme of pensions if he had stayed, and therefore, a deferred annuity would not be canvassed for?—No. Annuities have not been canvassed for.

1453. It is purely a question of this absurd name of life insurance. It is really death insurance that he has been canvassed for?—Exactly. Perhaps I might mention in that connection that I have found recently, by making inquiries in connection with the complaint of which I have spoken, that almost all the boys are insured by their parents for what they call "burial money" before they come into the Post Office at all. Nearly all the boys are insured for 10*l.* or 12*l.* in the Prudential or one of the other industrial societies before they come to us. The policies that they took out at the suggestion of the inspector were, in almost all cases, in addition to insurances previously effected by their parents.

1454. I do not know whether it would be going too far to ask if you think that that is owing to the extreme dislike of the English poor person to allowing himself to be buried as a pauper, or to allowing the burial expenses to fall on his relatives?—I think it is the desire of the poorer classes that if a child dies there should be money to pay his funeral and to buy mourning; but it is partly due, undoubtedly, to constant pressure by the insurance agents of the industrial societies.

1455. I do not wish to argue the point with regard to that, but it seems odd, then, that the boys should take out a policy as well?—They have done so.

1456. (*Mr. Denman.*) I suppose that you would not wish the Post Office to compete with the Prudential, but rather to hold up a different idea of life insurance to these classes?—It would be to a certain extent competition. I certainly should not propose to employ outside canvassers in exactly the same way as the societies do, but I would encourage all our own staff to bring in insurers, and I would let it be known that any officer bringing in a proposal would receive the commission.

1457. (*Chairman.*) Is that not known?—I cannot say that it is not known, my Lord, but, as I have said before, it is not done.

1458. (*Mr. Denman.*) Do you think postmen, generally speaking, would have the technical knowledge requisite for successful canvassers?—I think that they would. At any rate, they could get the knowledge at the office which they attend every day. They are distinctly superior as a class in education and intelligence to the class from whom we should get most proposals.

1459. You do not fear that, from partial knowledge of the subject, they would make statements in order to attract insurers that might mislead the insurers, and thus involve the Department in difficulties?—I do not think they would. You might occasionally have such a case, but I think they would very soon find out the salient points, in the same way as the agents for the company do, who are men, I believe, mostly of very little business knowledge or education.

1460. In the case of sub-postmasters, they would not have much opportunity for canvasing, I suppose, owing to their hours of duty?—They could make ample opportunity for canvassing out of doors, if they desired to do so. A country sub-postmaster is usually a shopkeeper who has one or more persons to assist him, and he is not tied to his office for a fixed number of hours in the same way as a clerk in a large office. They could do a great deal of canvassing among people who come to the counter, or who come to the shop.

Mr. F. Salisbury.

3 Dec. 1907.

1461. Speaking generally, you do not think the public would resent canvassing conducted officially by the Department?—I do not see why they should. Canvassing is so constantly carried on by agents that I cannot think that they would complain of an additional request, if such happened to be made by a servant of the Post Office.

1462. You do not think that part of the popularity of the postman rests upon his being free from such duties?—No, I do not.

1463. (*Mr. Davies.*) It is a matter of common knowledge to anybody in the Post Office that there is great apathy among the staff in the matter of canvassing; but the idea that the inactivity of the Post Office servants in that direction arises from any impression that canvassing would be viewed with official disfavour was new to me. Do you really feel quite sure that that is the explanation?—Yes, I am absolutely certain of it. I have on one recent occasion, at any rate, made a report to the London office on the point, and I think I have done so on previous occasions, although I have no record of it. Writing on the 5th March 1906, I said: "Great increase of the business generally might "be looked for if officers of the Department, sub-"postmasters especially, were employed as canvassers, "and personally I regret that it has been found "undesirable to employ them." I was not corrected in any way and told that they might be so employed.

1464. May I ask to whom that was addressed?—To the Secretary.

1465. The special effort that was made at Liverpool by your inspector was limited entirely to the staff, was it not?—Yes; to a portion of the staff—the telegraph messengers.

1466. Nothing has been done by anybody at Liverpool with the object of inducing the public to insure?—No; except by the request of the public.

1467. (*Mr. Brown.*) Perhaps it would be useful if we had the precise terms of the Instructions on this subject which are issued to postmasters. Could you give us those?—"Officers of the Postmaster-General "are allowed the following rates of commission "on annuities or insurances for all proposals "attested by them, if the proposals are accepted by "the Department and contracts are issued. The rates "of commission are:—For a contract for an annuity "or an insurance not exceeding 10*l.*, one shilling; for "a contract for an annuity or an insurance exceeding "10*l.* but not exceeding 25*l.*, two shillings; for a con-"tract for an annuity or an insurance exceeding 25*l.* "but not exceeding 50*l.*, three shillings; for a con-"tract for an annuity or an insurance exceeding 50*l.* "but not exceeding 100*l.*, four shillings. The com-"mission is payable to the postmaster or other officer "of the Postmaster-General who signs the printed "statement at the end of the proposal form, and is "paid by warrant in favour of such postmaster or "other officer immediately after the contract is "granted. It should be clearly understood that the "rate of commission is according to the amount of the "annuity or insurance granted, and not upon the "amount of the premium or purchase money."

1468. (*Chairman.*) What is that from?—It is an extract from the Book of Instructions to Postmasters.

1469. (*Mr. Brown.*) If that were clearly understood and acted upon, or, rather, if it were known that the Department wished it to be acted upon, a great part of your proposals would be met?—Yes, to some extent—as regards postmasters and clerks, but not as regards postmen.

1470. (*Chairman.*) Why not?—Because postmen were specially referred to in the prohibition, or, I should say, in the recommendation of the report of the Committee of 1893.

1471. The Committee of 1882?—Is it not repeated by the 1893 Committee?

1472. Yes; that Committee repeated the recommendation practically?—I thought so.

1473. Are those Instructions, which certainly, as I read them, do not exclude postmen, still issued, although a Committee of the Post Office itself has reported against them; because, if so, it is very odd?—Those are the standing Instructions to-day, and they have been the Instructions to my knowledge for a good many years.

1474. We must get this quite clear. Are those Instructions that Mr. Brown has just given you a printed copy of the Instructions which you work under here?—Yes.

1475. And are there no Instructions contradicting them; because, if so, it appears to me, as a plain man, that the Instructions of the Post Office are entirely contrary to the recommendation of the Committee, which is a very odd system of discipline. I speak with humility as to what an "officer of the Postmaster-General" is?—Those are the Instructions.

1476. (*Mr. Brown.*) Do you see any objection, from the point of view of principle, to officers of the Department canvassing the public generally in competition with ordinary insurance companies?—I see no objection.

1477. Canvassing is already done in connection with telephone business; but it has been suggested that as regards canvassing there is a distinction between telephone business and insurance business, because we propose to resume our monopoly of telephone business very shortly, whereas insurance business must necessarily remain a competitive one. Would you recognise that distinction?—There is an obvious distinction, and I see no reason why the Department should not canvass.

1478. Do you think that the same end might, to a certain extent at all events, be reached by a distribution of attractive literature on the subject, especially if it were made known that officers of the Department would, if requested, call and give further information?—I do not. I think that literature has very little effect indeed; it is rarely read.

1479. With regard to the subject of canvassing, would you not think that the payment of commission generally, in the manner contemplated by the rules which have just been read, might have comparatively little effect in ensuring effective canvassing, because the commission would be so widely distributed; whereas, if the same commissions were paid to persons practically set apart for the work, it might result in much more efficient canvassing?—The employment of special canvassers who would acquire expert experience would probably be more effective than that of sub-postmasters and postmen; but I believe that canvassing by the latter would have some effect, and that they would be glad to do it because, although the commission they would earn would be but small, it would be an addition to their incomes, and their incomes are not large. I think that they would welcome the opportunity of somewhat increasing them.

1480. Do you think that the commissions for the present limits of insurance are high enough?—No, I am not sure of that. I hear the remark occasionally that the commissions are very small, and I know that the commission is less than is given by outside societies, and that becomes known to Post Office servants. I have occasionally been met with that objection.

1481. Do you happen to know what commission is paid by outside societies?—The Royal Liver, a very big industrial society in Liverpool and the district, give the first 12 weeks' subscriptions, and afterwards 25 per cent. on the ordinary premiums. The Royal, which is, of course, a first-class society, gives 10 per cent. on the first premium and 5 per cent. on subsequent payments, or, alternatively, 1 per cent. on the sum assured and 2½ per cent. on subsequent premiums. The Pearl, which is a society undertaking both industrial and ordinary business, gives 8 to 10 weeks' premium on industrial insurance and 15*s.* per cent. on the sum assured in ordinary life cases.

1482. The commissions payable after the first, in the case of industrial companies at least, are payable in respect of collection, I take it?—Yes.

1483. In the case of the ordinary companies, such as the Royal, is that further commission payable irrespective of whether the premium passes through the agent's hands, or not—do you happen to know?—No, I do not happen to know that.

1484. In our own case you would not recommend any annual commission, I take it, unless arrangements were made, as I believe you are going to suggest, for the collection of premiums?—I am afraid I have not thought of that question. A small annual commission on renewals would, of course, have the effect of inducing the man who secured the proposal originally to keep in touch with the insured and to look him up from time to time.

1485. Suggestions have been made that persons who hold policies from the Post Office should be allowed our ordinary rate of commission in respect of any fresh business which they might be able to bring. Would you see any objection to that?—They would be outsiders already insured who might bring in others?

1486. Yes?—I see no objection whatever.

1487. Perhaps it ought to be brought to your notice that the initial expenses in connection with the issue of policies for small amounts are so large that these policies are not remunerative unless they remain in existence for a fair time. If arrangements were made for canvassing on a large scale, do you anticipate that we might have a large number of policies for small amounts which would soon lapse, and, if so, have you thought of any plan by which that might be obviated?—I do not think that we should get many lapsed policies. I think that the people who insured their lives with the Post Office would be the most careful and the most intelligent of the working classes, and that they would in their own interest see that the payments were kept up, but undoubtedly a great protection against the lapsing of policies would be a small renewal commission to the person who originally brought the policy in. I think that it should be on a very much lower scale than the original commission.

1488. The present rates are, of course, calculated on the basis of very small expenditure, and if renewal commissions were given, the rates would probably have to be increased to some extent. Would that operate as a deterrent in the same proportion, do you think, as canvassing would operate as an attraction?—I do not think it would. If they were raised to such an extent as to be equal to the rates of the industrial societies, the chief argument of the canvasser would be gone, or a very favourable argument.

1489. (*Chairman.*) Would you explain to me what a renewal commission exactly means, if the policy is likely to lapse and a canvasser brings it in again?—On the annual premium for the renewal year by year.

1490. You wish the commissions to be calculated in a different way from what they are at present. Is that what I understand?—No. Mr. Brown's question was whether I thought the agents, or those who secure the proposals, should be paid some commission after the first year. They are now paid commission only on the first transaction. I think that they should be paid some small commission each year, and that would have the effect of preventing, in perhaps many cases, the lapsing of policies.

1491. (*Mr. Brown.*) You told us that you thought that there was scope for the Post Office system, and that it was desirable to extend the Post Office system, because a certain number of the industrial classes desired to have Government security. Would you also think it desirable to extend it because the Post Office has such an organisation that it is able to give insurance to the working classes in such a form as to be convenient to them, at much less cost than the industrial insurance companies can give insurance?—That is one reason why I think it desirable to extend the business. We have the machinery for doing it. We are able to give not only the Government security, to which I attach the greatest importance, but lower rates.

1492. (*Chairman.*) I perhaps might just clear up this question that Mr. Brown has raised about the Instructions before we go any further. The Select Committee of 1882 did unquestionably state: "Your "Committee have come to the conclusion that it would "be inexpedient for the Post Office to employ agents "either for soliciting business or for house-to-house "collection of premiums. It has been suggested that "letter carriers might be employed in this way, and "your Committee think this would be undesirable." That was a Committee of the House of Commons. It had not an officer of the Post Office on it. Then we come to the Departmental Committee of 1893?—Yes.

1493. I am not quite clear as to what their recommendation was. They had Mr. Cardin, who was a Post Office representative, Mr. Spring Rice, a representative of the Treasury, and Mr. Finlaison, a representative of the National Debt Office. They recapitulate first the recommendations of 1882, and they say: "We are not "aware what circumstances may have occurred since "that Committee reported tending to modify their "conclusions, except that private enterprise has con-"siderably extended facilities for life assurance, "especially among the poorer classes." Then it is signed, and Mr. Cardin appends a note saying: "I "concur with the foregoing report, excepting the "clauses relating to the non-employment of special "agents." He then goes on to define those special agents—as, for instance, schoolmasters and schoolmistresses. I presume that he does not include postmen. I want to know how it is possible for the circular still to be issued by the Post Office allowing a thing which their own Departmental Committee has objected to. Perhaps you would rather not answer that question?—I am afraid I cannot answer that question. I can only tell you, my Lord, that these are the existing Instructions, that they have been the Instructions for several years, and that my duty is to act upon them.

1494. (*Mr. Brown.*) So far as you know, there is no prohibition of the employment of postmen supplementary to those general Instructions?—So far as I know, there is not; but there is the general fixed impression that no officer of the Postmaster-General may be employed.

1495. (*Chairman.*) I do not think it is really a point for you; but as it has been brought up I think it is desirable to call your attention to it, because it is curious to have those Instructions. With regard to one other point, the Departmental Committee said: "Every "depositor in the Post Office Savings Bank is fully "and pointedly informed of the facilities for re-"insurance on purchase of annuities." Is that still so, within your knowledge?—Yes. The conditions are printed on the Savings Bank deposit books, and we distribute freely small handbills giving the particulars. But I know that they are very little read. People take no notice of them.

1496. You would then, perhaps, hardly agree that that was "fully and pointedly informing." We all of us see cocoa advertisements, but whether you can say we are fully and pointedly informed of the value by that means is another thing?—I could not say that they are specially informed.

1497. (*Mr. Brown.*) Possibly part of the explanation of the difference between the recommendation of the Committees of 1882 and 1893 and the present Instructions is that the present Instructions apply to postmen off duty, whereas the recommendation of the Select Committee, so far as it applied to postmen, applied primarily and specially to postmen on their rounds?—Of course, a postman could not be allowed, under the existing Instructions, to canvass on his rounds. These Rules apply to postmasters and sub-postmasters. They are not directly communicated to postmen at all. Postmen have a special set of rules limited to the duties that they ordinarily perform.

1498. But under those Rules you might allow a postman to canvass when off duty, I take it?—There is certainly nothing in the Rules to prevent it.

1499. But you would not allow him to canvass on his rounds and so neglect his primary work? His primary work is delivering letters, and whilst he is doing that you would not allow him to do anything else?—Certainly not at the time.

1500. (*Mr. Davies.*) Do you consider that there is anything in the Rules at present which would forbid a postman from attesting a proposal form?—No, there is not.

1501. And if he attested a proposal form, he should receive the commission?—Certainly.

1502. (*Chairman.*) I think you stated at the beginning of your evidence that there was official non-encouragement of the postmen to do so?—That is so.

Mr. F. Salisbury.

3 Dec. 1907.

It is the fixed impression, and it was my own, that the Department did not desire canvassing, and it has never been even suggested to postmen that they might witness proposal forms.

1503. I think it is a very important point to know what the attitude of the Department is. That, of course, we cannot get from you; but, as far as I can see, there is nothing in these Instructions to prevent it, though there is most distinctly a statement that it is undesirable, in a report of the Committee of which the Post Office formed part. That is, as far as I can understand it, the exact position?—Yes. The recommendation in the report of the Committee that you have just read, my Lord, is generally known among postmasters and surveyors—the higher officials—and that being so, they have abstained from urging any of their officers to canvass specially.

1504. It is not my business to say what the organisation is or is not, but I should not have thought that anything overruled the direct instructions of the Office. Canvassing is so important a matter that I took it first quite separately. I propose to ask such short questions as I have got with regard to all the other points: First, as regards the increase of the maximum amount to 200*l.*, or, if possible, to 500*l.*, is it your experience that it is desirable on account of the demand by insurers at present?—One of the most experienced counter clerks that I have had tells me that he has had to refuse a good many proposals at the counter, because 100*l.* was the maximum amount.

1505. Did he state that 200*l.* would have enabled him to get more proposals?—Yes.

1506. And 500*l.* is what you imagine to be about the desirable limit?—Yes.

1507. That is why you mention that sum?—Yes, that is why I mention that sum.

1508. With regard to this question, we have heard a good deal of evidence. It requires legislative sanction to increase it up to 200*l.* Any increase at all requires legislative sanction, and it is your opinion that, on the whole, that would be a desirable thing?—Certainly.

1509. Is that because you think the working classes, on the whole, are richer, and that the class who would like Government security—the vacuum that we have so often heard about that the Post Office insurance was intended to fill—is now raised above the 100*l.* limit that was originally contemplated?—I think that is so. There are a large number of prosperous working men, small shopkeepers, clerks, and people of moderate means, who are frugal and provident, and who wish to insure their lives for a larger sum than 100*l.*

1510. Has it ever occurred to you whether a scheme would be possible by which the increase above the limit should only be possible to those who had originally taken the lower limit, and had remained on for, say, two years?—I have never considered the point. I could only say that many persons have refused to insure their lives in the Post Office at all, because they could only do so for 100*l.*

1511. The objection that would be raised in public, I imagine, to any increase—and it has been always the objection hitherto—is that of competition. If a man desired to have the security of the State behind him, and showed that by staying under the 100*l.* limit for a year or two, and was then given the power to increase, the case would not be quite so strong?—Not quite so strong; but I rather doubt whether it would have the effect of bringing in the objectors. They seem desirous to insure at once for a larger sum. It might have some effect, of course.

1512. Does any sum occur to you as the amount that the working man, or the ordinary man who comes to the Post Office, wants? Would 200*l.* nowadays take the place of what 100*l.* did when 100*l.* was made the limit?—I can hardly answer that question. As I told you, I have found some demand for a larger maximum, and I noticed that 200*l.* was the maximum recommended in one of these reports.

1513. With regard to the collection of premiums at shorter intervals, and without going to the post office, have you any suggestion to make on that point? Is it a possible thing to do?—It is a matter that wants a good deal of thinking out. It is a very important thing, and a very desirable thing to do in the case of a good many insurers, and the number would be greater if the maximum were increased. They have already a Savings Bank account, and a sufficient amount to pay their premiums, and there is no difficulty with regard to them. But there is a difficulty with regard to the small insurer. The working man thinks it a trouble to go to the post office. He does not quite understand how to go to work. The 1*s.* deposit scheme by means of stamps is a very useful method. The man needs to be reminded that he must save so much a week. I do not know whether it would be possible to attach so many stamp slips to the contract issued to each insurer, with a short printed notice to remind the insurer that he must put three stamps on each week, or 12 each month, or something of the sort. That would bring it before him.

1514. Is it your idea that working men, as a whole, have a weekly budget of expenditure, and consequently need that?—Decidedly; that is my experience.

1515. In Liverpool, where you have had experience, do insurance collectors call weekly or monthly?—I have had experience not only in Liverpool, but in other parts of the country, and it is always the same. Every village has one or two insurance agents who go round from house to house on pay day.

1516. On pay day?—Yes. If the man gets his wages on Saturday the collector will go on Monday.

1517. Therefore, you think that, if it is possible, some scheme for weekly collection would increase the chance of successful life insurance on the part of the Post Office?—Yes.

1518. Would you give us your views with regard to the encouragement of tontine arrangements, and the possibility of greater assistance being rendered by the Registrar of Friendly Societies? There is one tontine case that has come before us?—I read Mr. Batchelor's evidence on the point, and I cannot help thinking that the case which he mentioned is one that occurred in my own district.

1519. Perhaps you would tell us about it?—I have here the report of one of my assistants who dealt with it, and, if you would like me to do so, I will give you his description of it.

1520. I think that that would be very useful?—He says that between August and December 1906, about 110 members of a new tontine society in Crosby, called the Crosby Tontine Society, were proposed for insurance by the Department for 10*l.* each, were voluntarily examined and passed by the society's own medical officer by arrangement with the Department, so as to procure immediate benefit, and were ultimately accepted for insurance. The members were questioned, and the proposal forms prepared for them in their own club-room by an officer from the Head Post Office, Liverpool, and a good deal of trouble was taken locally to trace dates of birth, &c., about which some of the men were themselves unable to speak definitely, and would not trouble to inquire. The general work of enrolment and acceptance was completed expeditiously, and on this point the members were satisfied; but since then the negotiations between the society and the Registrar of Friendly Societies in regard to the rules of the Society have been protracted, owing to the difficulty in so framing the rules regarding insurance by the Post Office as to meet the requirements of the Registrar. The society complains that the Registrar has puzzled rather than helped them by his letters, and they found it quite impossible to frame the rules to his satisfaction. At first they employed a solicitor to negotiate with the Registrar, but they found that some expense was likely to be incurred. Then they commissioned a member to call at the office of the Registrar-General in London, with a view to discussing matters, but without any good result; and finally they appealed to the Department, and the Department endeavoured to assist them by direct negotiations with the Registrar. After waiting some 10 days, and in the meantime making a second appeal to the Department, the society received a further communication from the Registrar, which so disappointed them that, at a meeting specially convened for consideration of the position, the members resolved to abandon the Post Office insurance at the

end of the current year. And so we lost over 100 policies, the premiums on which were collected and paid into one Savings Bank account only.

1521. If I were cross-examining upon that, the sort of question that I should ask would be, supposing that that tontine society had applied, let us say, to the Prudential for similar benefits, would they have been equally disgusted and left the Prudential?—No. They would have got their contracts completed within a week, or a week or two, at any rate.

1522. On what grounds do you think the Registrar of Friendly Societies objected; had he no power?—I understand that the Registrar said to these men, "Your "proposed rules are not in accordance with our "Regulations. You must make them in accordance "with our Regulations."

1523. By "our Regulations" do you mean the Post Office or the Registrar of Friendly Societies' Regulations?—The Registrar of Friendly Societies. The members of the society are poor and ignorant working men. They could not understand the Regulations, and they gave up in despair the effort to model their rules. What has occurred to me is that if the Registrar of Friendly Societies could draw up a set of draft rules that would apply to any friendly society, it would be extremely useful to the members, because they could embody in such set of rules any local conditions.

1524. But why do you say that they would have got it done in a week if they had gone to, say, the Prudential or any other society, and it takes a year with the Post Office? That is the point I do not understand?—I know that the Prudential Society make a point of pushing these things through very quickly, and I have been told repeatedly that they do not raise difficulties, and they do not ask many questions. Of course, the local society is in a better position to do it than a Government Department, because they are on the spot. Their agent is on the spot, and he can make all necessary inquiries.

1525. But is not the Post Office agent on the spot?—Yes, but the matter has to be referred to the Controller of the Savings Bank, who issues the contracts. At any rate, I know as a matter of fact that the industrial societies complete these proposals very promptly.

1526. Can you say what the particular objection in this case was?—No, I cannot.

1527. I had better get that from the Registrar, because it does not carry us much further to say that someone else would have got it done in a week, without our knowing what the difficulties were?—You asked me the question, my Lord.

1528. I am not complaining, but I only meant that I am entirely in the dark as to the reason why the Post Office could not get it through in a week and the Prudential could do so. I have no doubt that that will come out?—Perhaps I ought not to have said in a week, because I do not know exactly what the time is; but I do know that as a matter of fact they complete all proposals very quickly. They make a point of avoiding difficulties, and placing the contracts in the hands of the insured very quickly.

1529. Then it is for the Registrar of Friendly Societies to justify, if it is he who has put the break on, his taking a longer time with the Post Office than he would have done with a private company?—The difficulty was with their rules. They could not understand the printed Regulations in official language sent to them by the Registrar of Friendly Societies, and they were not told how to make their rules. They finally got tired of the long correspondence; they were disgusted, and they threw it up.

1530. I should like to get to the bottom of that, because surely the Post Office have their agent in every town. Why could not he explain to these people, just as well as an officer of the X Y Z company?—I am afraid that I have not made myself quite understood. They had not delayed the completion of the contracts. The contracts had been completed. What the men decided to do was to abandon them at the end of the current year, because the rules legalising the arrangement had not been approved, and they could not get them approved.

1531. Do you mean to say that they went to an outside company?—I cannot say what they have done since. After paying one year's premium, they are abandoning their Post Office policies.

1532. What assistance do you think could be furnished by the Registrar of Friendly Societies in such cases?—What I have already suggested, my Lord—that he should furnish a set of draft rules for the guidance of rather ignorant men who cannot find their way through formal printed official regulations.

1533. Which would make the Post Office insurance a possibility for them, you mean?—Yes; the Post Office had to be provided for in their rules. The rules had to be legalised, and they could not get the Registrar of Friendly Societies to agree to those rules.

1534. That seems to me to be a matter for the joint consideration of the Registrar of Friendly Societies and the Post Office, if they wish it?—Yes.

1535. If it was a private company, I presume the private company would go to the Registrar of Friendly Societies, and say: "These poor men do not understand "these rules; can we make the rules simpler?" Is that the idea. However, you think that the rules should be made simpler?—They should be assisted to frame rules—that is what they wanted to do. They tried their hands at it several times, and each time they were told that their proposals could not be approved because they did not comply with the Regulations.

1536. Do you think that sub-postmasters or clerks should be allowed to attend friendly society meetings to give information and accept proposals in their official time?—Yes. It was in consequence of the assistance given by an overseer in my office that these three tontine societies finally insured in the Post Office.

1537. That raises the question, which is again a Departmental one, as to what power you have to allow your men out of office hours to do other things?—This work was done as an official duty. When the members of a friendly society wish to enter into such an arrangement, the proposal is sent to the Controller of the Savings Bank. In this particular case I suggested, in sending it up, that I should send an officer over to see the men to ascertain exactly what they wanted, and to explain to them what should be done. I was authorised to do it. It was done. The man who went did the work very well, and he took a great deal of trouble to assist the poor men, the members of the society, and in the end they all insured. Those accounts must be profitable to the Post Office, because there is only one Savings Bank account for the whole number, instead of one for each individual insurer, and therefore I am anxious to encourage them. My experience shows that if we give assistance by sending someone to meet bodies of men we may often secure business.

1538. As you were allowed to do it in this case, that is a purely Departmental matter?—Yes.

1539. It may be done simply by the Savings Bank Department, if they choose?—Undoubtedly.

1540. We may make it a recommendation from the benevolent point of view, but it seems to me that it is a matter which the Post Office can already deal with, if they choose?—Certainly, but the arrangement was an exceptional one, and, therefore, I had to bring it to the notice of the Controller before taking action myself.

1541. If we began to go into that, we might go into the whole organisation of the Post Office. With regard to the increase of amount to be insured without a medical certificate, what amount would you say; would you say 50*l.*?—Yes, I think I would certainly go as far as 50*l.*

1542. That is one of the legislative questions. Do you suggest that because you get a considerable number of demands for it, or is it because you desire to get fresh business?—I cannot say that we have had anything like a general demand, because there is so little demand for the business at all; but I think it is a very important point, and a point that would lead to more business.

1543. The next point is greater liberality as to payment of insurances within two years without medical examination. What have you to say on

Mr. F. Salisbury.

3 Dec. 1907.

this subject?—At the present time, until the expiration of two years nothing is returnable. My attention was recently drawn to it by the complaint of the parents of the boy who could get no part of the premiums returned, after he had paid for 18 months. I have in my hand the prospectus of the Prudential Insurance Company. I see that they pay a quarter if the insured dies at once. They give half benefit after three calendar months, and full benefit at the expiration of six calendar months. That is the prospectus of the Prudential Insurance Company with regard to their Industrial Branch. I think it is pretty well known—and I have made some inquiries—that the Post Office in that direction is less liberal than the Prudential and other similar societies, and I think it would be well to bring our conditions into line with those of the private societies, who apparently find themselves able to do it without loss.

1544. Is that with medical or without medical examination?—Without medical examination.

1545. This case was brought to your notice by these telegraph lads?—Yes, by the parents of one of the boys who could get nothing back, although he had paid premiums for 18 months.

1546. It depends on actuarial calculation whether this fund in its particular condition can bear it?—Yes. I only draw attention to that as one prejudicing our business.

1547. I quite understand that. Does anything general occur to you to say on the whole matter?—There are one or two little points I might mention. All these three tontine societies that we have got business from recently asked that they might have a reduction of premium, on the ground that they were introducing a large number of members at once whose premiums were all paid into one account. It was singular that three separate societies said they thought that they should have some reduction of premium in consideration of the large amount of business brought in. I assume from that, that if some discount or reduction could be made in such cases it would have a good effect.

1548. Is that done by the competing companies, do you think?—I am afraid I cannot answer that; I do not know.

1549. You do not give any reduction on taking a large quantity of postage stamps, do you, in the Post Office?—No, we do not. The justification for this is, that as all the hundred insurers necessitate only one Savings Bank account instead of 100 separate accounts, the labour is very much less.

1550. Infinitely less?—Infinitely less.

1551. You do not know in these particular cases whether they did get a discount when they went elsewhere?—I do not. They came to us, but they all rather complained that they got no discount. In one of the cases several members of the society were shut out because they were over 65 years of age.

1552. That brings in the question of raising the age limit?—Yes. The society had to make some special arrangements to provide for these few members because they were over age. I see that the Prudential takes insurers up to 75, and I do not see why we should not do the same. I should like to say that I very much agree with Mr. Batchelor's evidence in regard to the reduction of the minimum age. It is now 8, but the outside societies, I believe, take children of 1, and I certainly think that the minimum might be reduced to 5, at any rate. I rather gather from Mr. Batchelor's evidence that there has been some difficulty with regard to medical certificates. Perhaps I may mention that, within the last four or five years, the number of medical officers to the Post Office has been very largely increased. We now have medical officers all over the Kingdom, and in some cases even in villages and country districts, and it occurs to me that it might be made their duty to examine proposers for insurance.

1553. (*Mr. Davies.*) Cases are sent to them, are they not? Where there is a Post Office doctor, does not he make the examination?—I cannot tell you.

1554. (*Chairman.*) Are there any other points?—I think not.

1555. May I ask you this general question: Do you think that if facilities were given, as it were, bringing this system more or less up to date, a considerable increase of life insurance might be expected?—I think so—if it is made known that all officers of the Department are not only allowed but encouraged—desired—to canvass.

1556. Would you use the word "canvass," or would you say "bring to the notice of the public the fact that "Government security can be given for insurance"? You must remember that if you introduce the word "canvass" you at once state that you are doing a commercial business?—You might put it differently. You might give notice to all officers, including postmen and sub-postmasters, that they may bring in proposals for life insurance, and that they may witness the proposal and receive the commission.

1557. Do you think that that would bring in a considerable amount of vitality to this rather dead business of the Post Office?—I think it will do so, especially if the other changes are made.

1558. (*Mr. Turpin.*) If the postman brought the business to a local office he would get the commission?—Yes, he would get the commission.

1559. And the officials of the local office would get nothing?—The sub-postmaster gets the commission on the Savings Bank business.

1560. He would get it in that way?—Yes; assuming that the postman is attached to a sub-post office. If the postman is attached to a head post office at which there are established clerks, the clerk gets nothing. He is paid fixed wages to take Savings Bank deposits.

1561. There would be no encouragement for him to bring in a case?—No; but he may introduce others on his own account. He may bring in members of his own family, or his brother officers.

1562. With regard to collecting the premiums, would you propose that postmen should collect premiums on their rounds?—No. The system of paying premiums through Savings Bank deposits is so simple and so convenient that I certainly would not disturb it.

1563. I do not mean that, but is it possible without going to the post office?—The means that I suggest of doing that is by a more extended use of the stamp deposit system; that is, of supplying the insurer with stamp slips on which he can put three or six penny stamps a week, or whatever the amount may be, and only have to go to the post office when his slip is complete. He may only have to go once a year.

1564. Do you mean special insurance stamps?—No; ordinary postage stamps.

1565. Why not special insurance stamps?—It is not necessary. Deposits are made in the Savings Bank by means of ordinary postage stamps.

1566. A man might stick his postage stamps on and take them off again?—Then it would not be accepted as a shilling deposit when he took it to the post office.

1567. You can collect your premium in cash by means of an insurance stamp, and the postmen could sell the insurance stamps, which would only be available for sticking on the policy, and he would have to account for the money for the stamps?—I have not considered that point; but I should not like to throw on the postmen any responsibility for the collection of money.

1568. (*Mr. Hewby.*) With regard to these tontine societies, do you know what is the average amount of the individual policy?—In the first case that my assistant dealt with there were 60 members, and they insured for 8*l.* each. In the second case there were 110 proposers, and the amount was 10*l.* each. In the third case there were 35, and they insured for 7*l.* each.

1569. Insurances of such an amount are not of much use, considered from the point of view of thrift, are they?—No. I think that they would regard them as what they call "burial money," to pay the funeral expenses and for mourning.

1570. (*Chairman.*) Did they take out deferred annuities also?—No, not that I am aware of. I might mention that the average amount for which the telegraph messengers insured was over 30*l.* That was larger.

1571. (*Mr. Brown.*) With regard to those tontine societies, have they all given up the Post Office, or do they intend to do so?—No, only one of them. Unfortunately, it is the one which has the largest number of members.

1572. With regard to their suggestion that we ought to do it cheaper because only one Savings Bank account is involved, I do not know whether you are aware that the insurance fund is not debited with the cost of the Savings Bank transactions, and consequently it would be the Savings Bank fund, and not the insurance fund, which would benefit from that particular matter, and that the premiums are fixed at such a rate as not to take into account any but the expenses incurred by the insurance fund proper? So that, from that point of view, I suppose it would not have been possible for us to make a reduction on the taking of a quantity?—That I was not aware of, and I cannot say what may be possible. I have only mentioned the fact that there was a singularly unanimous demand on the part of different societies for such a concession.

1573. When the official from the Liverpool Post Office went to the meeting of this largest tontine society, and was so successful in inducing the members to insure, was he paid the commission?—Yes, he was paid the commission on each contract eventually issued.

1574. Do you think it is necessary that the full commission should be paid in such cases as that?—I do. That man earned the commission well. He took a great deal of trouble. Besides official visits, he went two or three times on his own account, at his own expense, and he wrote a great number of letters to parish priests in Ireland, and persons all over the country, to assist these working men, who were mostly agricultural labourers, to furnish particulars of their age.

1575. I am glad to have elicited that explanation. With regard to the question of what may be called earlier benefits, I should like to point out that there are two questions involved, and I should like to ask your opinion on both points. The Prudential Company, whose prospectus you were reading from just now, gives a quarter benefit without medical examination, even although one week's premium only has been paid, I believe?—Yes.

1576. In our case, we insist at present on the payment of a year's premiums, even if the insurer has been medically examined?—That is so.

1577. Would you wish to see greater liberality in that direction?—I think that we should be at least as liberal as the Prudential.

1578. At all events, you would think it desirable that when, say, a quarter's premiums had been paid, whether through the Savings Bank or otherwise, if any alternative system should be devised, the insurer should get a certain benefit?—Yes, I do.

1579. Say a quarter of the total benefit of his policy?—Yes.

1580. And that particular aspect of the question would be apart from that of the question of earlier benefits without medical examination? I mean to say that if a person elects to be medically examined at present, he can only have full benefit after payment of a year's premium?—Yes. It only applies in cases of non-medical examination.

1581. Yes, but the point that I was suggesting just now would apply in the case of medical examination as well, because the person who is medically examined has to pay at present a full year's premium before he gets his full benefit. You would give him some benefit perhaps after payment of a quarter's premiums?—He is entitled to full benefit now at once if he has been medically examined.

1582. If he has paid the full year's premium?—Yes.

1583. My point was, would not you give him a certain benefit if he could not afford to pay the one year's premium on the nail, but if he could afford to pay a quarter's premium?—Yes, certainly I would.

1584. With regard to the payment of premiums, I understand from what you have told us that it is not so much that you wish the premiums to be collected, as that you suggest that some system should be devised for assisting our insurers in greater method and regularity of payment, seing that their budget is made up weekly?—Yes, exactly; and especially, I think, they should be allowed to pay at shorter intervals.

1585. (*Mr. Davies.*) As regards the tontine case at Crosby, did we come into competition with the Prudential, or any other outside society, for that busines?—No. The society were driven to us by the fact that in the neighbourhood there had been two or three cases of dishonest treasurers. Money had been lost by societies, and that was their reason for approaching the Post Office.

1586. When you stated that you thought the Prudential might have done their business more quickly, did you mean that the Prudential could have arranged it for them in the same way through the society?—I am afraid I have given a rather wrong impression with regard to that.

1587. I thought that you might like to clear that up?—Yes. Their business was completed and their contracts were issued, but the society are abandoning them because they have not been able to secure the approval of the rules authorising it. I am afraid that I ought not to have compared the two societies in the way that I did.

1588. So far as the Post Office was concerned, the business was carried through with great promptitude?—They were satisfied.

1589. The difficulty which actually arose does not illustrate any disadvantage that the Post Office is at in comparison with an outside company, does it?—The effect was that the Post Office lost the business. May I say that the Prudential have undoubtedly had in the past an advantage over the Post Office, because they make a point of smoothing over difficulties, of waiving objections, and carrying through the business very promptly. Complaints of delay have been made among Post Office insurers, but in this particular case the men were countrymen not in a great hurry, and they expressed themselves as satisfied. They told my assistant that they were satisfied with what he had done, and with what your Office had done. It was when they came to get their rules authorised that the difficulty arose.

1590. In this particular case at Crosby, the reputation of the Post Office insurance scheme is suffering locally because of the delay that arose through the action of the Registrar of Friendly Societies?—Yes.

1591. You would say that?—Yes.

1592. So far as regards that action, does it come to this, that if the Registrar had done at first what he did at last we should have retained that business?—No. He has done nothing.

1593. I understood that he did approve their rules after a long delay?—As far as I know they have never been approved. The last set of draft rules which they sent up was not approved. They could not understand in what way the rules were defective, and they simply gave up the attempt.

1594. As you understand the matter, then, that is how it stands?—As I understand the matter, their rules have never been approved.

1595. And they never reached a state at which the Registrar was prepared to approve them?—Exactly. They prepared draft rules, which they sent to the Registrar, who refused to approve them. I understood from what I was told (I only repeat it at secondhand) that he refused to sanction them because they were not in accordance with the standing Regulations of his Department; but he did not point out in detail in what respect they were defective, nor did he supply them with any draft rules that they might have adopted.

1596. The society being thus discouraged, the policies which were actually taken out will probably lapse?—Yes. They have formally decided not to renew the premiums.

1597. On the question of increasing the limit, would you say that, generally speaking, the people who insure with the Post Office are the people who come in without being canvassed? I am not speaking of societies and the working classes now, but of the people who take out the larger policies?—Those who now come

Mr. F. Salisbury.

3 Dec. 1907.

in certainly are people who come in without being canvassed, to get the security of the State.

1598. Would your experience suggest that people who come up, say, to insure for 100*l.*—who come up to the Post Office counter for a proposal form—are people who have been canvassed by outside agencies, but who come to the Post Office because they want something that the Post Office only can supply?—I am not able to say that they have been canvassed, but I know that canvassing is so widespread that in all probability they have been.

1599. At any rate, the people whom we get for the larger amounts come in voluntarily and offer themselves?—Yes.

1600. You say that at Liverpool many who come want a larger insurance than 100*l.*?—In several cases that has been so.

1601. Has it ever struck you that the literature which is distributed, showing the advantages of insuring with the Government, appeals to a class whose insurance the Government is unable to take with its present limit?—I do not think that the literature has much effect.

1602. One can understand that it has very little effect upon the working classes, who have to be canvassed and pursued?—I do not think it has much effect with even the better class of artizans and tradesmen.

1603. Then you think that the people who do come for the larger amounts come in pursuit only of Government security?—Yes, I should say so.

1604. Not influenced even by the literature?—My impression is that they are not influenced to any extent by the literature.

1605. You know, perhaps, that the loading of the present premiums is arranged in such a way that if we got a very great mass of business for small amounts it would probably result in a loss. Are you aware of that?—I am aware of it now. I have only recently become aware of it.

1606. The loading is fixed on a principle which assumes that a certain proportion between the higher and the lower amounts will be maintained. I take it, from what you have said, that the Post Office can very easily do a great deal more business in the smaller amounts?—I think that it might.

1607. If it were to take the measures necessary to get that business, do you think that it could hope for an equivalent increase at the other end by raising its limits?—I am satisfied that it could hope for an increase, but whether it would balance the increase of the small business or not I am hardly able to estimate. There would be some increase, undoubtedly.

1608. Would you say, speaking quite broadly, that we probably refuse pretty nearly as much business as we get, through being unable to go above 100*l.*?—I cannot say that, because the amount of business is so small. The number of inquiries is so very small.

1609. But you would expect the number of inquiries to be increased considerably if the limit was raised?—I am sure that they would increase.

1610. I see that you mention an increase, if possible, to 500*l.* Is that because that particular amount suggests itself to your mind as fitting for the small professional classes, and so on?—Yes, because I know many cases in which clerks and small men effect insurances for as much as 500*l.*—a class that we might very fairly expect to get into the Government system.

1611. And a class which is represented from time to time in inquiries for that amount of insurance at the Liverpool counter?—Yes, a class from which I should say the great bulk of Savings Bank depositors are taken.

1612. I think that you mentioned the question of fees to medical officers, and you said that you considered the fees allowed by the Post Office too low?—No, I did not say that with regard to medical officers, because I do not remember actually what they are.

1613. Half-a-crown up to 25*l.*, and 5*s.* above. Have you heard any complaint from doctors as to the lowness of the Post Office fees?—No, I have not.

1614. Your idea for collecting premiums at shorter intervals would be, if I understand it rightly, to give to every person insuring for a small amount the opportunity of keeping up the premiums by means of stamp slips?—That occurred to me.

1615. To put it under his eyes in connection with his policy?—Yes. You might even attach them to the policy. What is required is to keep it constantly before the poor man, to remind him and to give him a ready means of saving money week by week.

1616. Do you think that many people who insure have any difficulty in putting down a year's premium at once?—I am sure of it among the poorer men. I am sure that they have.

1617. So that you think that some system of partial benefit until the year's premium is paid would be a popular thing?—I think it might have some effect in increasing the business, because it would meet a real difficulty.

1618. The Registrar of Friendly Societies is coming here this afternoon; could you suggest any questions that we might usefully put to him, beyond those that are suggested by the difficulties which you have indicated?—I cannot think of any others.

1619. In effect, really, it comes down to a suggestion that he should indicate what model rules would be acceptable to societies of this kind?—Exactly; that he should help societies of the kind by practically drawing rules for them. That is the direction in which my experience leads me to think that the Registrar of Friendly Societies might assist.

1620. (*Mr. Denman.*) On the question of general organisation, do you think that the business of Post Office life insurance is restricted or discouraged in consequence of an over-centralisation of control?—No, I have no reason to think so.

1621. Have postmasters the degree of liberty that insurance agents would generally possess?—No, certainly not; because an insurance agent is at liberty to go to members of the public and to go frequently to their houses, or wherever he can find them. A postmaster certainly would not feel himself at liberty to do that.

1622. But in the way of meeting the wishes of intending insurants, would a local representative of the Post Office feel bound to refer more to head-quarters than a local agent of an insurance company would feel bound to send up to his head-quarters?—I should say that he would. As I explained, I referred this application to the Controller of the Savings Bank, because what I was asked to do was an entirely new departure, and I thought it well to ascertain before doing it if it would be approved.

1623. But you do not think that such restrictions are a serious bar to the successful conduct of this business?—No, I do not.

The witness withdrew.

Adjourned for a short time.

Mr. J. D. Stuart Sim.

Mr. J. D. STUART SIM called in and examined.

1624. (*Chairman.*) I think that you are the Chief Registrar of Friendly Societies?—Yes.

1625. You will hand in a statement, I believe, showing the number of societies and branches, their membership and funds, income and expenditure for various benefits, and management during the year 1905?—Yes. I will give you our latest information on this subject. It has only just been printed. It is our latest Return. No. 1 is Membership, Ordinary Friendly Societies, Societies with Branches. There is a comparison made there between the total on the 31st December 1905 and the total on the 31st December 1899.

1626. According to No. 1, there has not been a very large increase in the actual number?—The number admitted is larger, and the number of returns,

1627. I was looking at the number of returns?—The figures in italics are the figures for the purpose of comparison. They are the figures of 1899—six years previously. The number of members has increased considerably.

1628. No. 2 is Receipts and Payments of Benefit and Management Funds?—Yes, showing what their funds amount to—the total receipts, the benefit funds, and management fund.

1629. Then there is the balance sheet?—Then there is the balance sheet of funds and effects. That shows not a percentage, but the figure per 1,000.

1630. What proportion of these have a life assurance branch attached to them; could you tell us that at all?—All, except the dividing societies practically. The societies which divide their funds at the end of the year have no means of life insurance, because you see their funds go at the end of every year, except a small balance which is kept.

1631. As we are on this subject, perhaps you will tell us whether they enter generally into some form of competition with other insurance companies?—The amount for which they insure is so small that there is no competition really with the ordinary insurance company. They are so limited in the amount to which they can insure under the Friendly Societies Act that there is practically no competition with the ordinary insurance company.

1632. Would you say that of the Prudential?—No. The Prudential has a very large business indeed. That is a collecting society, partly under the Friendly Societies Act as to certain penalties, but, under a separate Act, called the Industrial Assurance Companies Act of 1896, they carry on a very large business indeed. They have millions of members and millions of funds.

1633. Has it at all come under your observation whether the persons who belong to these friendly societies also belong to insurance societies?—Sometimes they belong to more than one friendly society, but the tendency is rather at the present time to limit them to one society only, and to insert a clause in the rules of each society that a man may not belong to more than two friendly societies. Are you talking of the ordinary large insurance company?

1634. Yes, the ordinary large insurance company. I was trying to get at whether these societies work in connection with any of the big insurance companies, or whether they are all absolutely separate?—Absolutely separate.

1635. Then I think, as I am on that point, I ought to ask whether they are in any competition with the Government insurance?—I have no information with regard to that, my Lord; but I should not think so, so far as we know. As individuals they may avail themselves of the facilities of the Post Office for life insurance or for annuities, but as a general rule, I think, they restrict themselves entirely to their own society.

1636. Other members of the Committee will ask you more as to the possibility of the Government aiding, or being aided, whichever way you like to put it, by the friendly societies. I will not deal with that beyond just asking you whether you have had any applications from the societies to affiliate in any way with the Government scheme?—No. We have only one society on the register which deals in the way of insurance with the Post Office—that is the Thornton Village Friendly Society, and I have the rules here if you care to see them. There is a curious rule. It is a dividing society, and there they have no means of insuring; therefore they have a rule which compels a man to go to the Post Office, and there take out an insurance before he is elected a member. It is a little complicated.

1637. Has he to open a Savings Bank account?—He takes out an insurance. This is exactly the *modus operandi*: Every member before admittance must call at the Post Office, fill up and sign a proposal for life insurance with the Postmaster-General in the sum of 8*l.*, and afterwards visit the medical officer for examination. "The secretary and medical officer for the "time being will render every assistance to candidates "on their application for insurance. Persons rejected "by the Postmaster-General in respect of such life "insurance will not be accepted by this society." These are the operative words. We had some difficulty in registering it, because it was quite a new idea. We did ultimately register it after considerable correspondence; but we did so rather by way of experiment, I think, than in any other way. It seemed rather cumbersome.

1638. What number of members would that society have?—It is quite a small one, and has not been in existence very long. It had 74 members at the close of 1906. It is a Lancashire society, and the rule mentioned as to Post Office insurance was only registered on the 20th of November 1906. The society is a little older. It goes back to 1899.

1639. I take it that in a sense that puts the medical responsibility on to the Post Office?—Apparently it does. As a general rule, you see, a dividing society does not have any medical officer. It does not require him. It only pays a small amount sometimes in the way of sick pay—not a very large amount. The funds are shared out at the end of every year.

1640. You say that, as a rule, a dividing society does not always have a medical officer, but a dividing society does not effect life insurance?—Not as a rule. A dividing society is a society which divides its funds at the end of every year, keeping, as a general rule, 1*s.* per member in what they call the "box" to go on with the next year, so as to ensure some sort of continuity; otherwise the society would cease to exist each year.

1641. Is it a slate club?—A slate club is another name for a dividing society. Slate clubs are unregistered, as a rule. We have one or two called slate clubs, but they are really friendly societies with a continuous existence, and some of them are very old; but the ordinary slate club, which is started in a village, sometimes by the local publican and sometimes by the rector, is an unregistered society which divides out its funds at the end of every year. Their funds are, as a general rule, extremely small. Some of them are large. The other day, as I daresay you remember, the treasurer of one of them disappeared and afterwards turned up again. That happened to be a large society with a considerable amount of funds; but that is rather the exception. Small slate clubs are hardly worth registering.

1642. Do burial clubs come under that definition of friendly societies?—Yes, if they are registered. We have nothing to do with unregistered friendly societies, or unregistered societies of any kind. It is only the societies on our register that we have to deal with, and that we know anything about.

1643. What causes a society to be put on the register?—A voluntary application by seven members, who fill up a form and send it in with a proper set of rules. If the rules are correct, and will pass our criticism, the society can be registered.

1644. Can be? If you think it insolvent, or not in accordance with the rules, have you absolute power to say that it shall not be registered?—We cannot tell when they first apply, because they apply before they have even got funds or trustees, and the very first form they fill up includes the names of their proposed trustees. At that time they have practically no funds at all. We know nothing about them until we receive their first annual return, which we get in about 18 months, as a rule, at the earliest, after the establishment of the society. We get it at the end of each year. The society is very often quite a small thing which is gradually working up. If we find anything wrong in their accounts then we generally warn them.

1645. Have you the power of exclusion absolutely, or is that laid down by Parliament?—That is under the Act. We have only the powers which we possess under the Friendly Societies Act, 1896, of cancelling the registry of the society, and in certain cases we do cancel. We cancel a good many—mostly for the reason that they have ceased to exist, or in other cases, because they have no funds and no members—which is practically the same thing.

1646. Is there a definition of what society may apply to you?—There is a definition in the Act of what we may do, and the reasons for which we may cancel the registry.

Mr. J. D. Stuart Sim.

3 Dec. 1907.

1647. But no definition of what a society which may be registered is?—Yes. You will find in section 8 of the Act the societies which may be registered. It is headed: "The Registry of Societies," and commences: "The following societies may be registered under this Act." Then it goes on—it is rather a long section.

1648. I only wanted to know whether there is any definition in the Act?—Yes.

1649. There is nothing further to state on that point, is there?—I have here an abstract of annual returns of friendly societies in 1905. The number of ordinary societies was 4,918; the number of burial societies was 431; the number of dividing societies was 1,423; making a total of 6,772 societies on the Register of Friendly Societies only. Then the number of members of the ordinary societies——

1650. We need hardly go into that. The only ones, as I understand, that the Post Office is in any way connected with, would be those with which its bank might be allied?—Those would be the first two classes—ordinary societies and burial societies—and they number about 3,000,000 members. Their total income would be about 3,000,000*l.* a year.

1651. With regard to your jurisdiction in regard to Post Office Savings Bank disputes, do you wish that I should go into that?—We have a curious jurisdiction over all savings banks—the Post Office Savings Bank and Trustee Savings Banks—and it is a jurisdiction which is without appeal, strangely enough. It is a cheap means for poor people to settle disputes. Those disputes are always referred to us, and we have about 150 a year. I sit about three days a week to hear these small cases, and sometimes more.

1652. That does not affect our insurance fund, so we need not go into that. Now, this is an important point: as regards the direction in which the insurance business of the Post Office could be developed through the medium of friendly societies. That, of course, is the real point that we are anxious to get any opinion upon that you can express?—As I said just now, our experience is that only one friendly society, as a friendly society, has ever availed itself of the provisions of the Post Office for insurance. No doubt, many members of friendly societies are insured in the Post Office themselves as individuals, but not as members of friendly societies. They have their own machinery, and they have their own tables of contributions. They have their own benefits, which are, roughly speaking, of two kinds: one is the sick pay, and the other is the funeral benefit money.

1653. The funeral benefit being the only one which you can call life insurance?—Yes, the only one. Some societies are beginning to do more in the way of annuities now, and superannuation allowances.

1654. That, again, is deferred annuities, which is not referred to us. Pay during life really does not affect our inquiry directly?—I should not think it did, as far as I can see.

1655. With regard to any help that might be given, you state the difficulties. The first is the question of insurable interest. Sir Robert Hunter, the solicitor to the Post Office, has already read to us that Act?—14 George III., chapter 48.

1656. That is, that a life must be individually insured, as I understood him?—Yes, and there have been cases on that point which settle that the interest must be a pecuniary one; that is to say, a father does not necessarily have any pecuniary interest in the life of his child. A father may insure the life of his child under the Friendly Societies Act, but if he were to do it outside the Act in any way with the Post Office, or with an insurance company, or any of these people, he would then have to show that he had some pecuniary interest in the life of his child which would stand the test of the cases which have been decided on that point, and if he could not, it would be open to the Post Office, or an insurance company, or society, to say: "We shall "not pay, because the policy is void on the ground of "wagering." That happened the other day down at Norwich, and the whole point now is raised and we have to deal with it. The Liverpool Legal Victoria had a case of that kind in which they refused to pay on the ground of absence of insurable interest. That has opened the whole point, and I believe I am going to have a deputation on the subject within the next few weeks.

1657. I take it that that would be met if it were admitted that each individual insurer must be an insurer on his own hook, to put it in vulgar language?—Yes.

1658. That is what I understood Sir Robert to say most definitely. This is a question of a legal point for the friendly societies, rather than the Post Office?—The friendly societies can do it under the Act.

1659. But the Post Office insurance cannot take over a friendly society's liability, because they have no legal power to do it?—Exactly; that is the principal difficulty. It would be illegal for them to do it, but it is quite legal for the friendly society to do it.

1660. Have you anything to say as to the right of nomination?—A difficulty arises in this way with regard to that: the Post Office have one form of nomination under their regulations, which form I frequently see because it is constantly coming before me, and we have a form prescribed under the Act. A difficulty might arise as to a person who wished to nominate his insurance money with regard to in which way it was to be done. The Post Office would insist on their own form being carried out to the letter; that I know. I come across these continually in my jurisdiction over the Post Office Savings Bank. I continually have a Post Office official with me; he attends every one of these cases, and he is in my office a great deal, and I asked him the other day on that very point: "Would you insist on having your form of nomination "in a case of this kind?" and he said, "Certainly we "should." I said: "What becomes of our form of "nomination? We should have to insist on ours."

1661. Give me a concrete case, please. A friendly society wishes to get its members insured in the Post Office insurance. It comes, and admittedly, according to Sir Robert Hunter's view, that can only be done for the individual member of that society?—Yes.

1662. X wants to insure. You say that you cannot nominate him to the Post Office because——?—The nomination is merely another form of will, and it overrides a will and takes precedence of a will. It is a cheap form for poor people of willing money of this kind away under the Friendly Societies Act, or a deposit in the Post Office Savings Bank. A man simply fills up a form—I do not know if you would like to look at it—and he has to deliver that form, either to the secretary of the society in the case of a friendly society, or send it to the Post Office to be registered. In the Post Office they register all these nominations. Every one of them is registered. In that case, if he dies that nomination is in force at once, just exactly as a will, simply from the decease of a man. If there is no dispute, the Post Office in the one case, if the nomination is correct and has been duly registered, will pay over to the person nominated the amount they have in their hands. In the other case, exactly in the same way, a friendly society would pay over the nomination under the Friendly Societies Act, if the nomination was correct, to the nominee the money which the member had in his friendly society. But the two forms of nomination are not quite the same. One is under the Post Office regulations, the other is under the Friendly Societies Act.

1663. But, as I understand *ex hypothesi*, supposing anything were done through the Post Office in this direction, it would be at the desire of the friendly society?—Yes.

1664. What objection is there to their adopting a Post Office form in that case?—The point has never yet arisen; but there would be possibly some contradictions between the two forms and a question as to which really was operative. So far as the money in the Post Office Savings Bank, or putting it generally, in the Post Office is concerned, it would have to be dealt with under the Post Office regulations clearly with the form prescribed by the Post Office regulations as to nomination. If it was claimed under the Friendly Societies Act, it would have to be dealt with under the form prescribed by the Friendly Societies Office. That is what it comes to; but the point has never arisen, and I do not quite know what the results would be.

1665. That if to say, that no demand has ever been made by a friendly society for Post Office insurance?—Except that case that I mentioned—Thornton Village.

1666. That is the solitary case?—Yes; the only one we know of.

1667. Did you have to stretch your rules. How would a case of nomination in that case be dealt with?—We pointed out to them that there were many difficulties in the way. In the first place, the Post Office would only recognise the person who had taken out the life insurance in the Post Office.

1668. That we understand from Sir Robert Hunter is a *sine quâ non* as the law stands. That is the insurable interest point under the George III. Act?—The insurable interest point would come in there as well. If a father insured his child in the Post Office without an insurable interest the Post Office could say that the policy was void. There is no penalty under the Act, but it simply says that the policy is void. The Post Office might be put in the unpleasant position of either having as a State Department to refuse to pay on rather inequitable grounds, having received the premium perhaps without any knowledge of the relation between the parties; or it would have to pay, and disregard the Act.

1669. You mean to say that your nomination form allows a friendly society to do what the Post Office Act does not allow the Post Office to do?—Just so, that is it. The difficulty with regard to insurable interest is got over by the express words of the Act which enables a father to insure his child.

1670. And it could only be cases that were outside that insurable interest question that the Post Office could take under the present law, as I understand the position?—Certainly.

1671. Then we come to the attitude of the friendly societies themselves with regard to a State competitor. Have you any evidence to give us on that subject?—I know a good deal about friendly societies, and I know their ways, and I know their thoughts and their opinions now pretty well. They are a most independent body—absolutely independent. They resent anything like State interference intensely, and we have to be very careful always in dealing with them, that we do not try to put any pressure in the way of interference upon them which savours in any way of interference by the State. They have done all this work voluntarily. They have worked it all out themselves, and they are very proud of having done it themselves. Of course it is a grand voluntary effort.

1672. You mentioned three millions of money?—Their total funds are over 50 millions.

1673. Three millions a year?—Three millions a year. There are something like 30,000 societies to deal with.

1674. Do they ever ask you questions as to the investment of their funds?—No; we never interfere at all with regard to that. We have a valuation every five years of every friendly society, unless they are exempted by us under my hand from doing so for a good reason. Every one has to send that in. When we see that a society is going down hill we advise them to take the opinion of an actuary, and warn them that if they do not either increase their contributions or decrease their benefits, they are bound to bring about a deficiency in a very short time. Sometimes there is a deficiency, and we call upon them to put the thing right. In all cases there is a valuation under the advice of a competent actuary. That is not a matter that just anybody can deal with; only an actuary can deal with it.

1675. Do you do that under statute?—We do it under our general powers, doing whatever we can—publishing information, and so forth.

1676. Have you done it to the friendly society of the Midland Railway lately?—I do not know.

1677. And the Great Western and the North-Western?—We were very nearly doing it the other day in the case of the Amalgamated Railway Servants. We pointed out to them that their benefit funds could not be used for strike purposes, and that the trustees would make themselves personally liable if they allowed it to be done.

1678. To go back, they do not consult you in any way as to security?—No, because the Act points out exactly what securities they are allowed to invest in, and they may invest in securities allowed by their rules; they must not invest in anything else. If they do, the trustees become personally liable. Shall I read this to you? "They may invest in any of the following "securities, that is to say, with the consent of the "committee or the majority of the members present "and entitled to vote in general meeting, invest the "funds of the society or branch, or any part thereof, "to any amount in any of the following ways: (*a*) in "the Post Office Savings Bank or in any savings bank "certified under the Trustee Savings Bank Act, 1863; "or (*b*) in the Public Funds." There will be another Amendment Act, I believe, next Session to alter some of these things, and it is going to deal with that very point that you mention. It is going to define what the word "securities" means "with the National Debt "Commissioners as in this Act provided, or in the "purchase of land or in the erection or alteration of "offices," and so on—"upon any other security ex-"pressly directed by the rules of the society or branch, "not being personal security, except as in this Act "authorised with respect to loans." Those are the methods by which they can invest their funds, and we see every year in their annual return exactly what they have done. Where we find that they are investing their funds improperly we pull them up.

1679. Has there been a considerable proportion invested under the first—Post Office Savings Bank?—Investments in the Post Office Savings Bank curiously enough are falling off considerably, and the investments in Trustees Savings Bank are falling off.

1680. The question therefore is, whether you consider the insurance that could be given by the Post Office competitive. I rather gathered that you do think that they might look upon it in the light of competition?—They might. I cannot say what they would do, but they might.

1681. And the advantage, I suppose, that could be pointed out to them by somebody who desired to increase the Post Office business, would be the absolute Government security?—That would be the main thing, the absolute Government security, coupled with a high rate of interest. The tendency now, as I say, is to remove their investments from Trustees Savings Banks and the Post Office Savings Bank (there is a great difference in the last six years) and to put it into mortgage on land and real securities generally, because there they can generally get 4 per cent., whereas in other ways they get very little.

1682. You do not suggest that any Government could give therein as good interest as from investment outside?—No.

1683. Therefore, security would be the main thing?—The absolute security of the State, if that would be sufficient to induce them, is another matter.

1684. Exactly?—They are quite content with the securities they have got now in the shape of mortgages, and so on, which bear interest at the rate of 4 per cent., and that is why they transfer every year more and more of their funds into investments in land, ground rents, and things of that sort, and in feu rents in Scotland.

1685. That I suppose makes your task of saying whether they are or are not satisfactory a little more difficult?—We have absolutely no knowledge. We have to trust to the auditors.* Each year the auditors have to make a return, which is prescribed by the Chief Registrar under the Act, that they have themselves seen every voucher, and have examined the mortgage deeds.

1686. They have no real power of valuing those mortgage deeds, I presume?—No.

1687. Therefore, it comes back to the question of State security being practically the only inducement that we have to go upon?—Yes.

1688. Do you think that people are apathetic as regards making provision of this kind?—Yes, except when influenced, as in the case of friendly societies, by the example of others, and by intercourse in their employment.

Mr. J. D. Stuart Sim.

3 Dec. 1907.

1689. That is a question of canvassing really?—Yes, and the sort of *esprit de corps* that there is in all the best friendly societies, each man trying to get as many new members as he possibly can. There is a good deal of that done; in fact, they give medals to those who bring in a certain number every year, and they do everything they can to encourage them.

1690. You have already said that you would offer some distinct advantage over the friendly society system in order to get fresh business in the Post Office?—That is so.

1691. Is a registered friendly society or branch to be found in every village in England?—I should say so. The figures in statement (A) show the extent of their operations, while management expenses amount to 10 per cent. of the total income.

1692. You mentioned the friendly societies restrictions in the Act of 1896. Do you wish to tell us what the restrictions are?—They are chiefly restrictions on payments made on the death of children—funeral insurance. There is an omnibus Bill that is in the charge of the Home Office at the present moment. I saw Mr. Samuel the other day as to certain changes which I have advocated as to these payments. In the Friendly Societies Act there is only one cleavage—payments under 6, payments under 10, and after that it counts as an adult. The Friendly Societies Amendment Bill is going to propose that the friendly societies be allowed to insure from birth. One of their grievances is that they are not allowed to take children from birth as the Prudential can—as all industrial insurance companies can. If that is done, I suggest from birth to 1 year of age 2*l.* funeral expenses; above 1 year and under 5 years of age, 3*l.*; above 5 years and under 10 years of age, 6*l.*; above 10 years of age and under 14 or 16 years of age, 10*l.* That is approved of by the Friendly Societies National Conference, and I am now trying to get some evidence from the collecting societies for Mr. Samuel to see whether they approve of it. So far as I have got, they entirely approve of it.

1693. I thought a committee sat some years ago that strongly urged the non-payment of any insurance under the age of 5 years?—There have been many committees. I examined them all in one of my reports. I cannot tell you which year it was, but it is all in black and white. It was also done by my predecessor, Sir Edward Brabrook, in 1893, and you will find the whole in the Report for 1893.

1694. The reason I ask that is, that it is of some little importance, if there is a likelihood of that being done with regard to the age to which the Post Office insurance is confined?—Yes. You could not confine it to one particular class of insurance societies. You would have to make it universal, and that I think is Mr. Samuel's intention.

1695. Including the Post Office?—He did not mention the Post Office.

1696. Do you think there is any likelihood of such legislation being passed?—Yes.

1697. You think that the dangers of infantile insurance are now at an end?—I do not think there is much danger, as far as I know. Every now and then very bad cases come into the police courts, like that which came before Mr. d'Eyncourt a year and a half or two years ago, which was sent to me to report on. It was a most exceptional case. The woman was hardly a human being.

1698. It is very interesting to hear from you that there is this intention?—I do not think I am violating any secrecy. We have been trying to get it done for years.

1699. With regard to certificates of death, have you anything to say?—In every case it is required under the Friendly Societies Act that, before any money is paid over, either on the death of a child or of an adult, a certificate of death from the local Registrar of Births, Deaths, and Marriages must be produced, and that no person may receive insurance money from more than one society which exceeds the amount which is the limit in the Act, see sections 62 to 67 of the Friendly Societies Act, 1896. We are the only body that prosecutes in those cases. The Treasury used to do it, but it is left now somehow or another entirely to us.

1700. Do you think it will be altered?—No, that will not to be altered except as to amounts. They may have to be altered, but otherwise it will not be altered. The principle will be the same. It is to prevent a person from insuring in different societies and getting money out of three or four different societies before the Registrar knows what he is doing. Very often he does not know. Where he does know he reports the case to us, and our prosecuting solicitor goes down and investigates the case and, if necessary, prosecutes.

1701. How far do the societies themselves make provision for payment at death, and do they insure for this purpose. You have already answered that to some extent?—Yes; all but the dividing societies do so. We are getting out a list now as an Appendix to my Report, in which we give the particulars with regard to 170 of the largest societies in the country. It will be very interesting for anybody who takes an interest in these things. I have here a proof.

1702. Do they give a greater sum as a rule than an ordinary life insurance company, or the Post Office, at death?—The average amount paid on death would be from 8*l.* to 12*l.*; sometimes as much as 14*l.* A richer society, a society that is well off, will give perhaps 14*l.*, and in the same way will give rather more sick pay. The Dunmow Society in Essex has gone so far as to establish a scheme of old age pensions, and is carrying it out with great success.

1703. Have you compared those figures with those of the Prudential, say, or are there none comparable?—We get the accounts of the Prudential, but we are not entitled to them. We get them only as a matter of courtesy. I think they work out very much the same. The Prudential appeal to the same class of people.

1704. I presume that the Post Office has too small a *clintèle* to make a comparison of any value?—I do not know myself.

1705. You have never made the comparison?—I have never made a comparison. These are deposits in the Savings Bank having nothing to do with the insurance work of the Post Office. The Prudential is an industrial insurance company, not a friendly society at all.

1706. No; but we are speaking of benefits on death?—They would be much the same.

1707. I want to know whether there are any common points of comparison between the Prudential Company and the Friendly Societies?—As far as we know, the amounts paid on death are very much the same—perhaps a little bit higher in the case of the Company than the small friendly societies. They can afford to give a bit more. They have a much larger business. This would give you some idea. We find that in 1905 there were in all 68,000 deaths in friendly societies, and the amount actually paid as funeral benefit was 865,929*l.* That includes wives and children, and, therefore, would run to very much an average of about 10*l.* per member, which is what I said, from 8*l.* to 14*l.*

1708. Would you tell us generally, is the financial condition of the friendly societies as a whole satisfactory?—Yes, I think I can honestly say it is very satisfactory indeed. I have here exactly what the figures are, because we have made our comparison. It is rather a long summary. It has only just been published—or I do not think it is out yet.

1709. We can only ask you, I think, whether or no, on the whole, the registered friendly societies are in a financial condition that is sound, as far as the actuaries know?—Yes, I certainly think so; but they must not be confounded with these unregistered slate clubs.

1710. What is the financial condition of slate clubs and dividing societies?—Very unsatisfactory indeed.

1711. How do you know about those?—We only know what the general public do, or, perhaps, we know rather more than the general public, because we get a great many letters from members, and so on. They are not actuarially solvent. They wind up every year

practically. With regard to these little slate clubs and goose clubs, every now and then the treasurer disappears, as we know. If the members do not choose to make treasurers give security, it is entirely the fault of the members if the treasurers run away.

1712. The Post Office is not in the least likely to touch that kind of society, so that it does not affect our inquiry very much?—Not in the least.

1713. The registered societies on the whole are solvent?—Yes, I should say so, certainly, and they are getting more solvent every year.

1714. What is a collecting society?—A collecting society is also called a friendly society. The difference between the two is this: a collecting society collects by means of collectors from house to house at a greater distance than 10 miles from the registered office. In a friendly society, strictly so called, all the contributions are paid at the office to the secretary, or else to some local agency, and they do not in any way employ collectors. If they employ collectors in the way I have mentioned they come under the definition in the Collecting Societies Act, and then they have to do certain things. They have to insert in the provisions of every policy that they issue the whole of the provisions of the Collecting Societies Act, which are very stringent.

1715. Do they not come under you equally?—Yes, but they are a different class of society, although they are called friendly societies. They are a different class altogether.

1716. You mean to say that all collecting societies are friendly societies, but all friendly societies are not collecting societies?—Exactly, and the test is the collection.

1717. Are the collecting societies equally solvent?—I cannot say that they show the same degree of solvency as a friendly society does, because we find that their average funds come to about 1*l.* per head per member; whereas in a friendly society it is something like 7*l.* or 8*l.* I dealt with the whole of this subject in my last Report, and I called attention to it. The collecting societies give us a great deal of trouble. They have completely outgrown the Act under which they exist.

1718. (*Mr. Turpin.*) With regard to your evidence as to the direction in which the insurance business of the Post Office can be largely developed through the medium of friendly societies, have you examined the contribution tables of the different friendly societies that are registered with you?—Yes, in a way as far as we can, but we have a very small staff and could not possibly examine everything that comes before us. We do not make ourselves responsible for their tables. We would require a very large staff indeed to examine them in that sense.

1719. If you saw a table of contributions to insure a certain sum at death, you could very easily judge whether there was sufficient contribution or not, could you not?—Yes, in a general way you could, but circumstances differ so much in different localities that we could not make ourselves responsible for a condition of things with regard to which we had no knowledge ourselves. You can quite understand that you may have a mining district with a totally different rate of contributions. Nearly every friendly society now has regular tables of contributions which have been certified by valuers. They have adopted them.

1720. In the event of the contributions being less than the Post Office charge, you would not consider them sufficient as a general rule?—I do not know. You see we have not the Post Office tables before us at all. We have nothing to do with that. Our connection with the Post Office is entirely through the Savings Bank.

1721. Would it not be possible for you in your official capacity to do a good turn for the Post Office insurance by recommending insurance there, because their own tables were not sufficiently safe?—I should get into very hot water in a very short time. It is just one of those things they will not stand. They will stand a certain amount of advice, but you have to be very careful even in that.

1722. Do not you think that under certain conditions some of the large societies might, what you call, reinsure with the Post Office to their own advantage?—They might, but it is a matter entirely for them. We have no power to interfere ourselves. We have to keep within the four corners of the Act. If they think we have gone the least bit too far we get very angry letters sometimes.

1723. In your opinion, do not you think that that would be a method that the Post Office might try to adopt—getting these societies to reinsure with it?—There again no compulsion is possible, and it would entirely depend on the attractions which the Post Office afforded them in the way of interest, so it really all comes back to the same point. As you are aware, some of the older societies are still getting on their investments with the National Debt Commissioners the full 3 per cent. or a little bit more.

1724. Some of them are getting 4 per cent., but very few?—Yes, there are not many of them. I might mention that in the large Orders the funeral benefits are, so to speak, pooled, and paid out by the district, and the district very often reinsure with the Post Office.

1725. Do they?—Yes—the district funeral fund—not each branch, but the whole district. They very often do that, I believe.

1726. (*Chairman.*) Do you mean put money into the Savings Bank or into Consols?—Yes, something of the kind. I cannot give you the exact *modus operandi*—I would have to inquire—but I know as a fact that they do re-insure with the Post Office—some of them—not all. I suppose they find it a convenient method of getting at the money when it is wanted to pay out. It is a thing they are constantly drawing on, and they cannot invest the whole amount on mortgage because they cannot get it when they want to, but it is always available in the Post Office, so they put a certain amount there.

1727. (*Mr. Turpin.*) My idea was reinsuring individuals?—That is the difficulty.

1728. (*Mr. Hewby.*) Did I understand that the average amount of insurance was about 10*l.* per head?—Yes, that is about it. It varies from about 8*l.* to 14*l.*, but the average, so far as we can tell from the figures I gave just now, taking it all round, is 10*l.*—10*l.* is a very common sum for funeral benefit, and sick benefit 10*s.* a week.

1729. Funeral benefit?—Funeral benefit.

1730. It is nothing but that? There is nothing left over for the relations?—No. A father can insure his children in the same society if he likes. That is allowed under the Act. There are a great many widows and orphans funds in connection with these orders, and some of the larger friendly societies.

1731. (*Mr. Brown.*) The figures which you have given us on Table A. do not include the collecting societies, I take it?—No, they do not include the collecting societies. They deal in millions. If we were to add those on here it would be a much larger sum.

1732. There are four or five very large collecting societies, are there not?—Yes, very large ones.

1733. Do such societies do practically the same business as the industrial insurance companies?—Yes, but they cannot take a child from birth, and an industrial insurance company can. They consider that that is a hardship, and that is why they want the amendment.

1734. That is very interesting. But in other respects as regards child insurance, do I understand that the collecting friendly societies, and the registered friendly societies as a whole, are in a somewhat better position than the industrial companies; that is to say, as regards the question of insurable interest in particular?—I can hardly answer that question, because we have nothing to do with the industrial insurance companies. They do not send any returns to us, and we have very little control over them at all. Curiously enough, they come under the Collecting Societies Act, which I mentioned just now, with regard to certain points; but we have no control over them nor do they send us any returns.

1735. Would you be able to offer any opinion as to the question whether a considerable part of the business which is done by the industrial companies is illegal from the point of view of insurable interest?—

Mr. J. D. Stuart Sim.

3 Dec. 1907.

Mr. Brown, the standing counsel to the National Congress of Trades Unions, and Sir Edward Brabrook were appointed arbitrators in a somewhat complicated matter in connection with the Liverpool Victoria Legal. They are responsible for the statement made to me that they have discovered that 40 or 50 per cent. of the work that is done by collecting societies is absolutely illegal. As I say, there is no penalty attached to it. All that happens is that the policy under that old Act is void, and the company or the society can refuse to pay. That is all that happens.

1736. The restriction applies both to the collecting friendly society and the industrial insurance company?—To everybody effecting insurance.

1737. (*Chairman.*) Everybody effecting an insurance from whom premiums are collected, I presume?—Yes, any insurance company, the Guardian, the Standard, the Hand-in-Hand, or anybody who insures life. They are all bound by that Act.

1738. By the Collecting Societies Act, do you mean?—No, by the old Act of 14 George III.

1739. There must be an insurable interest in the particular life?—You must have an insurable interest in the life, otherwise the policy is void. There is no penalty attached to it at all. It is a very curious old Act.

1740. You mean to say that the Prudential might refuse to pay its claims?—If there was no insurable interest it could. This very point was very carefully guarded against in the Friendly Societies Act, because in section 67 of the Act of 1896 it says: "Nothing in "this Act respecting payments on the death of children "shall apply to insurances on the lives of children "of any age, where the person insuring has an interest in "the life of the person insured." Therefore, that guards it. It is a curious thing that the quaint old Act has survived so long, because it is ignored in nine cases out of ten. If you care to have Mr. Bunyan's observations on the Act, I will read them. The section is a very curious one. It is to avoid gaming and wagering and so on. "The first section of the Act requires an interest "at the time at which the policy is effected; and this "interest (which when sufficient to support an insurance, "is termed an insurable interest) must be pecuniary." The cases have decided that. There is the great difficulty.

1741. Except with regard to relationships?—Yes: "No ties of blood or affection are sufficient. The interest "must arise out of some subsisting right of property "which may be prejudicially affected by the occurrence "of the event assured against, and which, whether in "possession, in reversion, or contingent, would give the "assured a standing in a Court of Equity if the title "were in question."

1742. Surely a relationship—next of kin—is an interest?—That is the extraordinary part of it; it is not. That is why it is safeguarded in the Friendly Societies Act. The cases have clearly settled, rightly or wrongly, that the interest must be a pecuniary one. It has nothing to do with us, but there it is, and that Act is still on the Statute Book, and the Friendly Societies Act is the only Act under which people can insure their children from ties of blood and affection.

1743. (*Mr. Brown.*) Under the Friendly Societies Act, then, things can be done which cannot be done by the ordinary insurance company or industrial company?—Yes. The Act is so framed as to get out of this. Any society or company which effects life insurance which does not act under the Friendly Societies Act is doing an illegal act unless there is an insurable interest. That is Mr. Bunyan's opinion, and he is a great authority on the law of life assurance.

1744. Is that possibly one reason why the big collecting societies remain collecting societies?—That is a very big question. The collecting society is kept going by the interest of the collectors in the society. The book of a collector is of pecuniary value certainly, and he can sell that book to his successor subject to the veto of the directors.

1745. If so large a proportion of the business is probably illegal, is it anybody's duty to take cognisance of it?—No, nobody's, and there is no penalty attached to it, as I have said. The company can say, "That "policy is void; we will not pay," and the man has no remedy, supposing that there is no insurable interest.

1746. With regard to children, in cases where the insurance is legal not more than 6*l.* may be paid in respect of the death of any child under five?—Yes.

1747. And not more than 10*l.* in respect of the death of any child under 10?—Yes.

1748. Is it probable, do you think, that many duplicate insurances are, as a matter of fact, taken out in ignorance, which are not ultimately paid?—We have not in our experience come across a great deal of that sort of work, but we have had to prosecute in a good many cases where it has been done, and the defence invariably is, and very probably it is a perfectly true defence, that they did not know that they were doing wrong; but, of course, it is not an excuse. I ought to mention that the amount paid ought to appear on the certificate of death, so it is perfectly possible for the Registrar to find out if two societies were paying, thus taking the sum beyond the limit. If two paid 7*l.* or 8*l.* apiece that would bring it beyond the limit of 10*l.*

1749. Even where the amount is not ultimately paid, the society may quite conceivably have been taking premiums?—Yes; it may have been done with perfect *bonâ fides*.

1750. With regard to what registration implies, am I correct in supposing that it does not imply solvency or the actuarial soundness of the tables?—You are quite right. We could not possibly pledge ourselves to that sort of thing without an enormous staff of accountants and actuaries. We have a very small staff.

1751. As you just now pointed out, the amounts payable at death in 1905 amounted to something like 10*l.* or 12*l.*, I think, per death?—You have to take into consideration insurances on the lives of wives and children, and therefore it works out at about 10*l.* or 11*l.*, speaking very roughly.

1752. Could you tell me, please, whether the majority of these friendly societies offer facilities for insuring any larger amount than that?—No.

1753. They do not as a rule?—No; they are limited under the Act.

1754. They are limited to 200*l.*, are they not?—Yes.

1755. But as I understand the matter, in most cases these are merely funeral benefits which are, as it were, incidental to the sick benefits which the societies give?—Yes. If they were to insure for 100*l.* we should at once say "That is not funeral expenses; "that is something else."

1756. Then, practically none of these societies insure for any considerable amount, say, 100*l.* or 200*l.*?—We do not know of any.

1757. So that the Post Office, in encouraging insurance say from 20*l.* to two or three hundred pounds, would not be competing with these societies at all?—No.

1758. There is another question that I want to ask you arising out of what you have told us about the genuine friendly society being one in which the members bring their contributions to some agent, or pay them in at the society's meeting. Would you see any difficulty in a system like that in connection with the Post Office, a system which encouraged regularity of payment, but which did not make provision for the collection of premiums. I think that there must be a number of intelligent working-men who would see that it was to their advantage to bring their premium to the Post Office rather than to wait for its being collected, if by that means they got a much greater benefit. Would you agree in that view?—I see no objection to it whatever. It is better than collecting societies, where the collector gets 25 per cent. on every premium, and sometimes something like 40 or even 80 per cent. on the first years' premium.

1759. (*Chairman.*) You gave for friendly societies management expenses as about 10 per cent. of the total income?—The average amount of management expenses in collecting societies is 37½ to 40 per cent., and that goes mostly into the pockets of the collectors. You will understand therefore why the collector's book is rather a valuable property, and why they keep these things going at all. The expenses of management of collecting societies during 1905 amounted to 1,392,152*l.*, and of this sum 948,426*l.* was paid to collectors. Assuming their wages to be 30*s.* per week, this sum would represent upwards of 12,000 collectors.

1760. Is that in addition to the 3,000,000*l.* which you mentioned?—Yes.

1761. Something like 5,000,000*l.* a year is subscribed to these two sets of societies?—It is a great deal more than that.

1762. And is the average benefit only 10*l.*?—That is the friendly society. There is the sick pay, which is a great deal. The sick pay in 1905 was—friendly societies and branches—over 4,000,000*l.* The total amount paid in benefits was 5,750,000*l.*

1763. The expenditure of the collecting societies is what?—That is not included in that. I am only giving now the total expenses of management, which came to 1,392,000*l.*, or very nearly 1,400,000*l.*, and of that 948,000*l.* was paid to the collectors.

1764. There is a sum of 5,000,000*l.*, which is the total income of the collecting and friendly societies together?—No. That is only friendly societies.

1765. What is the annual income of the two together?—Roughly speaking, 11,500,000*l.* It is in my report. The total contributions came to about nine and a half millions, including collecting societies. That was the actual income from members. You would have to take off from the collecting societies the management expenses which, as I have said, are about 1,400,000*l.*, and you would have to take off from the friendly societies their expenses of management.

1766. (*Mr. Brown.*) I only want to ask you one more question—a general one: From the point of view of thrift, there would be a considerable advantage from the general use of a system like the Post Office system, which gives substantial benefits at death, as compared with societies which give merely burial expenses?—Yes. I think that has already been sufficiently proved by the work of the Post Office.

1767. (*Mr. Davies.*) The Thornton Village Tontine is the only friendly society which has, so far as you know, yet availed itself of the Post Office system?—Yes.

1768. I understood you to say that you had registered that more in the way of an experiment than anything else?—Yes. We had never had it before. We were doubtful as to how it would work; but as they wished to do it we thought we would give them the opportunity of trying it. It was only an amendment of the rules, and they could at any time apply to alter it.

1769. It has not been in existence long enough for you to form an opinion as to whether it is a success or not?—No. It is hardly a year. We cannot tell yet.

1770. Did the case of the Crosby Tontine Society, a neighbouring society, ever come under your notice?—Yes—only a few weeks ago. There the rule was framed on the Thornton village rule. They dropped it. I registered them the other day, and they had given that rule up.

1771. We had a long and rather painful story as to the dropping of that, from the Postmaster of Liverpool, who was here this morning?—My assistant told me, when I asked what had happened, that they had dropped it.

1772. The point that the Postmaster of Liverpool was anxious to bring out was that he thought that it might be possible for the Registrar of Friendly Societies to smooth the way of these small societies, which are anxious to insure with the Post Office, by offering suggestions rather than criticisms with regard to an offending rule?—I do not call it an offending rule at all. I do not think we put any unnecessary difficulties in their way. We were perfectly willing if they wanted to do it. They were a dividing society and could not do it in any other way. We pointed out that there might be some difficulties. We did not go beyond that. I do not think that we discouraged them; at least I did not. I do not know what my assistant did.

1773. They were possibly too easily discouraged. From the story of the Postmaster of Liverpool, who knew all the local people, the end certainly was that they were discouraged, but he did not wish to dwell on that. The point that he wanted to bring out was that he knew there were several other societies of the same kind in the neighbourhood anxious to do the same thing, but all consisting of rather small people unused to formal correspondence, and he was wondering whether it would be possible for a model rule to be drawn up for a society wishing to make this arrangement through the Post Office?—I shall be most happy to consider anything that he likes to send me. I will do it with the greatest pleasure.

1774. (*Chairman.*) You say anything that he likes to send?—Or that anybody likes to send. We listen to everybody, and we answer all letters as far as we can.

1775. (*Mr. Davies.*) That particular society, having failed to get their rules through, threw up the whole arrangement with the Post Office, and the policies will lapse?—They certainly did throw it up. I do not know the entire history of the case. It was brought to me as another example of the Thornton Village Society. I asked at that time if there were any other societies that insured with the Post Office, and I was told the Thornton village. I said I remembered that: "There "is another one, the Crosby," and I said "Let me see "the rules." Then I found that they had dropped the whole thing. I was going to quote the example and to say that there are two.

1776. The Crosby Society considered that they had failed to get their rules approved?—I see.

1777. (*Chairman.*) When you say they dropped their rules, did they cease to register themselves as a friendly society?—It comes in the form of an application to register a new society in this case—the Crosby Society. The rules were examined by Mr. Hall, one of the assistant registrars. It is his duty to examine them, and they do not come before me until they have been examined. The Crosby Society were not prevented from becoming a friendly society at all, but they dropped this particular method of insuring.

1778. They did not cease to exist?—No.

1779. (*Mr. Davies.*) Can you say off-hand in what particular point the difficulty arose over the rule. The rule was, "That when a member dies the sum of 10*l.* "shall be paid on the Post Office policy on his life by "the Post Office authorities, according to the rules "agreed to in Form A to his nominator." Did the difficulty arise over the difference between Form A and Form B?—The difficulty has not arisen yet, and is not likely to arise for some time until somebody who has insured his life or funeral benefit in the Post Office nominates and dies. Then the question may arise.

1780. I understood that one of the differences you had to deal with was between the Post Office nomination and the form contemplated by the Friendly Societies Act?—The form which is in the Act. The other is in the Post Office regulations.

1781. You are familiar with both forms?—Yes.

1782. Would there be any difficulty, do you think, in bringing the Post Office form absolutely into line with the form in the Act?—We are compelled under the Act to recognise a nomination only if it is in the form prescribed in the Act. When certain provisoes have been carried out, the Post Office actually registers them, and they are very particular indeed, and naturally so. You have to be particularly careful about the form of a nomination. It overrides a will, and I know that the Post Office Savings Bank are extremely particular about it. There would be a clash of jurisdiction there is no doubt, but whether we should be able to get over it or not I have never gone into.

Mr. J. D. Stuart Sim.
3 Dec. 1907.

1783. (*Chairman.*) If these were two private businesses, the solicitors on each side would meet and settle it. Has anything of that sort taken place?—No. It is only a point that might occur, but the point has not arisen yet.

1784. (*Mr. Davies.*) I want to see if we can fix precisely the point on which the Crosby application fell through, and I was asking whether the difference between Form A and Form B had anything to do with it?—No. That point has merely been discussed academically, so to speak. It never has arisen, and it cannot arise yet.

1785. It only came into my mind because of what you said about Forms A and B, a little while ago, because the offending rule mentions Form A?—I did not know that. The rule had gone before it came to me, and I never saw it. But it did not go off on that point, as far as I know. I was told that it was really a copy of the Thornton village.

1786. It probably fell off because they are not over-intelligent, and probably got very weary of corresponding?—It may have been so.

1787. I want to know whether it would be possible to give little societies of this kind a model rule which you would be prepared to pass?—Certainly; I should be happy to consider that.

1788. That you would be ready to discuss with the Post Office?—Yes, quite so. It might come in very usefully with dividing societies, because they have no other means of doing it.

1789. I suppose it is quite clear that an undertaking by such a society to pay a certain sum on the death of a member would not give the society an insurable interest in the member's life, and that there is nothing open to the Post Office but to have the premiums collected by the society, and to deal with the members individually?—I do not know how the Post Office conduct their insurance work. I have no knowledge of it.

1790. (*Mr. Denman.*) Do you think there is any likelihood that friendly societies would be favourably disposed towards a scheme whereby they should undertake to act as agents for the Post Office life insurance system?—I can hardly say. I do not quite know what view they would take of it. Very much would depend upon how it was put to them, and, as I say, it would depend upon whether any attraction was offered to them.

1791. If they were given commission on the business, for instance?—Yes. I do not know whether a State Department could do it. The attraction would undoubtedly be a higher rate of interest. Their one great anxiety is to earn something like 3½ per cent. interest, which they do by getting 4½ in one thing and 2½ in another, and so on.

1792. At present they do not do insurance business proper, as opposed to mere burial insurance, at all?—No. The insurance business is only the small amount that is contained in that Act.

1793. So this would be a new province to them?—Quite.

1794. Why, do you think, have they neglected that province hitherto?—I think the reason is that they are so fond of doing their work themselves.

1795. But I mean the province of insurance as a method of thrift?—Because they are limited under the Act for one thing, and they have not sufficiently elaborate machinery to go in for anything like large insurance. Some societies do it, but they are old societies, big societies, wealthy societies, and they can afford to consult an actuary, or accountant, or something of the sort, but a great many of these societies are very small. Societies with 20, 30, and 40 members cannot do that sort of work, and they have not the experience. I should never encourage them to do it, because they would come to grief over it. We always warn them that insurance is a difficult subject, and they ought to be very careful how they embark on anything like large insurance. Ten-pound burial and sick pay are very useful, and that is all that the Friendly Societies Act intends them to do. They are given a little larger limit in section 41, but they do not avail themselves much of it.

1796. Precisely for those reasons they might be willing to adopt a scheme whereby they would obtain for their members the benefits of a sound and economical insurance without any of the responsibilities of it?—I quite agree that if they were to do anything like a large insurance business it would be very much better for them to do it through a Department like the Post Office than to do it with their own very limited experience. They have not much time. It is all voluntary.

1797. (*Chairman.*) You said that you saw enormous difficulty in getting them to do it?—Yes, I did. It would be very good in theory, but I doubt if you would get them to do it. They are rather proud of what they have done. A dividing society cannot do it in any other way; so that in the case of the dividing society I think it is worth consideration.

1798–9. (*Mr. Denman.*) They have not to keep their life fund separate from their other funds?—They have to keep a separate account of every fund for which a separate contribution is payable. We are very particular indeed about that. There are 13 million members of friendly societies.

The witness withdrew.

Adjourned to Tuesday next at 11 o'clock.

FIFTH DAY.

Tuesday, 10th December 1907.

PRESENT:

LORD FARRER (*in the Chair*).

F. J. BROWN, Esq.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. G. TURPIN, Esq.
E. RAVEN, Esq. (*Secretary*).

Sir EDWARD BRABROOK, C.B., called in and examined.

Sir E. Brabrook C.B.
10 Dec. 1907.

1800. (*Chairman.*) I think that you have seen the terms of the Reference to this Committee: "To consider "whether it is desirable that steps should be taken "to encourage the use of the present life insurance "system of the Post Office, and, if so, what steps"?—Yes.

1801. In what way do you consider that the Post Office is at a disadvantage as regards insurance?—You have no collectors or canvassers, and collectors and canvassers are the life of the collecting friendly societies. Without them they would do nothing, and I do not see how you can get collectors or canvassers. You cannot utilise

your existing staff for that purpose. It would have to be a new staff, and they would have to be trained in all the devious ways, if I may so put it, of the friendly society collector or canvasser, and the burning question among them would be first of all their remuneration. The collector or canvasser in the friendly society gets an enormous remuneration when compared with the amount with which he has to deal. He gets (I am speaking generally, of course. I am not giving evidence now from inside knowledge) the first 13 weeks' premiums straight down for himself. Nothing of that goes to the society. And then he gets from 20 to 25 per cent., as the case may be—sometimes more—in commission on future payments. Then there is generally a district office, with a salary for the district collector, and additional remuneration for him, and all that machinery of organisation has to be kept up to collect these pennies from the poor people, mainly from mothers. The result is that they charge a very high premium, a much higher premium than you charge. But the collectors and canvassers must live, and one result of the high remuneration that they get is that the canvassing book is a very considerable asset to the collector or canvasser, and I have heard of some hundreds of pounds on occasions changing hands on the transfer of a canvassing book from one man to another. I do not think that the Post Office could rival that method of proceeding by any means possible.

1802. You are speaking of the collecting societies?—Of the collecting societies.

1803. Not of the larger friendly societies?—Not of the ordinary friendly societies. I will come to them a little later on. As your principal rivals in regard to this matter of insurance for the poorer classes you must deal with the collecting societies as the principal element in the rivalry that you have to meet, and they turn wholly on the machinery of collectors and canvassing. With their high remuneration we get, as the natural result, a kind of virtual irresponsibility on their parts. When you give a man so very large an interest in getting an insurance he will not hesitate very much at the means by which he gets fresh insurances and increases his income. And you will find, therefore, that the collectors and canvassers will accept, and the company or society which they represent will be bound to accept from them, a great many insurances which I do not think you would accept in any event—insurances where the health is not what would satisfy your medical examiner—insurances where more or less to the knowledge of the collector the person effecting the insurance, and the person beneficially interested in it, has no insurable interest in the life, and, of course, the Post Office being a Government Department could never be a party to illegality of that kind. I have some reason to believe (there again I am speaking, not from my own knowledge, but from what I have heard) that the proportion of illegal insurances of that kind which is carried out is very large indeed. It would amaze one if one knew the full extent to which these illegal speculative insurances are being carried out by societies of this kind. I recollect a case while I was in office of, I think, 12 persons insuring the life of an aged pauper who was in no way related to them. They had no interest whatever in the life. They entered upon it as a mere speculation, and they got these insurances and they got the money paid because although these insurances must be very detrimental to the interests of the societies and companies which effect them because there is a selection against the society on the part of the person who effects the insurance where it is one of a speculative character, yet their interest is so great in not shaking public confidence in their proceedings that they would rather pay in a bad case than resist it, and so in a great number of cases these insurances are paid notwithstanding the fact that it is perfectly well known to most concerned that they are actually illegal—mere gambling transactions, in point of fact. All these things are things into which it is quite impossible for the Post Office to go as a competitor with and rival of these large concerns.

1804. Let me just ask you one question on that. We were told last time, I think, with regard to collecting societies that 3,000,000*l.* a year, if I recollect the figure rightly, is the estimate of the money collected by collecting societies?—I should not wonder, but really I will not pledge my memory at this moment. I have a very bad recollection for figures except when I have them before me. I daresay it is something like that.

1805. The amount collected by friendly societies was a very much larger amount?—That is so.

1806. I did not quite follow your reason for saying that the Post Office insurance is really in competition solely with the collecting societies?—My reason for putting it in that way is this—that the collecting societies are societies for the purpose of burial only. They do not insure against sickness or anything of the kind, and therefore they are the bodies which come into direct competition with the Post Office.

1807. But, even then, I think we were told last time that the average is only 10*l.*?—Yes, that is practically true. The amount is small. In point of fact, life insurance is practised by the working classes to a very small extent indeed. I distinguish life insurance from burial money. I mean by life insurance a reasonable provision for the widow and orphans, and that is practically almost unknown to the working classes. They go in for insuring burial money. But in the case of the ordinary friendly society, that is incidental only to their main business, and their main business is that of insuring sick pay.

1808. Has your experience been that deferred annuities, or, in other words, old age pensions, are what the working classes are actually looking at more than to death insurance?—No; that equally is not within their purview; that is to say, that if they want old age pensions at all, it is old age pensions for nothing. They have not a notion of purchasing them for themselves. I may mention with regard to that, that among the leaders of the big friendly societies there is a strong feeling that they ought to set their house in order and establish a system of old age pensions for themselves. But that is only in a very early stage of development. I was very glad to see that the Foresters commenced it by passing a resolution referring it to their central committee to draw up a Scheme, and that really is all the length at which they have arrived at the present stage. They have simply instructed their central body to draw up a scheme for requiring every member of their body to be insured for an old age pension.

1809. Will you tell me, apropos of that, have you any reasons to suggest for the working classes in England requiring this burial money, or death money, so particularly. Is there any reason for that being so widespread?—Yes, I think there is. I think that there is a remarkably strong instinct among them against a Pauper funeral and that kind of thing.

1810. Is it the pauper funeral—that is the great argument?—The pauper funeral is the great argument which is used by the collectors and canvassers of the friendly societies to induce people to insure burial money.

1811. In the country, where I live, the argument always used by the respectable poor is not that, but the iniquity of putting their relations to great expense at time of death after serious doctor's expenses?—True.

1812. It is not the pauper funeral; it is a totally distinct thing?—Yes. I am quite prepared to hear that that argument is also very strongly used.

1813. And *pro tanto* that shows a desire for some sort of thrift?—Undoubtedly it does. I am far from disparaging it. I am only surprised to see that it does not go a little further, and that it does not go beyond the mere expenses of the burial, and cover something like a provision for the widow and orphans in the event of the death of the breadwinner. That is really practised by the working classes only to a remarkably small extent.

1814. Is the insurance effected by the industrial classes usually confined to burial money?—Yes. Under the Friendly Societies' Act it is provided that any member may insure any sum not exceeding 200*l.*, payable on his death, and therefore all these friendly societies and all these collecting societies might, if they liked, insure many people at death up to the limit of 200*l.*;

Sir E. Brabrook, C.B.

10 Dec. 1907.

but you have already been told, I believe, that that is practised to a very small extent indeed. There are some exceptions to that, as some efforts have been made to extend the practice of insurance. First, the Ancient Order of Foresters has established a separate life insurance fund to which any of its members may contribute (it is a central fund) through the branch to which he belongs as an agent. He may contribute the money which is necessary to insure any sum up to 200*l.* on death, and that has been a success so far. It is a success to the extent that they have some hundreds of policies, and therefore it may be taken to be a commercial success—that is to say, there is probably a sufficient average insured to make it practically a safe transaction. But that, you see, is a very small proportion when compared with the total number of members of the whole body, which amounts to nearly a million. The few hundreds who have already insured are at the very best a very small proportion of the whole body, and that therefore indicates in a very exceptionally good case (because the fund has been well advertised by the society. It has been organised by the central body of the society, and they feel a very keen interest in it) the very small extent to which this kind of insurance is done by the working classes themselves. That, therefore, is quite a case in point. Then I might also mention the case of the Liverpool Victoria Legal, of which I know something, because I have been lately acting as arbitrator on their behalf. They are about to establish a separate insurance company which will enable them to take large insurances, but practically up to now the amount of insurances exceeding 10*l.*, or 15*l.*, or 20*l.*, or thereabouts, has been extremely small. They expect, however, that by the services of their agents and collectors they will be able to do a very competent business in larger sums.

1815. May I ask you, are there many of these societies that are allowed, or undertake, to pay out moneys, not in a lump, but year by year?—No, that is not practised.

1816. A case has occurred to me of leaving an idiot child with no relatives. An elaborate trust deed had to be arranged?—Yes.

1817. I do not know whether that is practised?—It is not practised, but there is nothing impossible in it. It might very easily be made a feature of one of these societies if they chose to do it.

1818. In big railway companies which I have had to do with, our old servants, when we help them, if there is no pension and they do not belong to a friendly society, are doled out so much a week, say, 10*l.*, 20*l.*, or 25*l.* is the grant—it is doled out at 2*s.* a week, or whatever may be the necessary amount. Do any of these societies do that?—I do not think they do. I have not heard of any case of the kind. Then there is a third case, the Prudential Insurance Company, which, as you are aware, probably, has a very enormous business of the industrial kind, and also a very large business of the ordinary kind of life insurance, and I think it may be taken that a certain proportion of that business is a kind of development from the industrial to the general.

1819. Let me ask you, because we have had different definitions of what "Industrial" is, what in your mind is the definition of industrial society?—The industrial insurance is that which is paid by weekly premiums and is small in amount. I should put it practically at the limit of something like 20*l.* There would be very exceptional cases in which more than that would be insured in industrial insurance. The average probably would not exceed 10*l.*, I should say, at the outside. I think it quite possible that there may be many cases where a person who has effected an industrial insurance with a company like the Prudential would, as he prospered in life, effect an insurance in the ordinary branch, and would fall into the ranks of the ordinary persons who insure their lives for the benefit of their wives and children.

1820. It has been suggested with regard to the Post Office that the limit should be raised from 100*l.* to 200*l.*, or even to 500*l.* Do you think there are persons in that rank of life who, when they have succeeded in life, would wish to go on having an investment with the Government and would wish for higher amounts?—I think that is conceivable. I do not know any principle upon which the limits are enacted in the case of the Post Office. I presume that the tables are calculated so that the Post Office insurance can be carried on at a profit, and therefore there is no principle upon which it should be limited. If anybody desires to insure for any amount, I do not know why the Post Office should not do it for him.

1821. You are aware that it is limited?—It is limited, and I presume I may assume that the reason that it is limited is, that if it were not limited the opposition of the wealthy insurance companies in the House of Commons would be very difficult to conciliate. But, speaking as a matter of principle, I know of no principle whatever upon which it need, or ought to, be limited.

1822. Is there anything more, Sir Edward, about the Prudential that you wish to say, that does such a large share of the whole business of the country, and about which you know so much. As we are on this, I think it would be the simplest way to ask you now what is the reason that the Prudential has taken such a vast share oft he business. Is it better management, or some individual plan?—I am bound to say from that what I have seen of the management that is exceedingly good. It was very early in the field. It was under the management of a most skilful and able man, Mr. Henry Harben, as he was then (he is now Sir Henry Harben), and it took great pains to accumulate its funds, and to arrange all its transactions with its members upon the most satisfactory footing, and by that means I think it has deservedly got the great position of influence which it has amongst the working classes. It is a great organisation, well managed, and with enormous funds, and it always has been careful to obtain the best actuarial advice and to get valuations made by persons of high standing in the actuarial profession. It has done all that it could do to stimulate public confidence, and with great success. I think we can admit that. I know nothing of the Prudential from inside, of course. I am speaking merely of the impression I have obtained by watching its proceedings from outside.

1823. It is a striking fact to anybody who examines this question of insurance that the Prudential should have a vastly greater field than all the other companies that may have excellent actuaries and excellent securities and give, indeed, somewhat larger benefits?—I do not wish to take away the character of the other societies, but I think there is not one of them which has persistently and from the very first carried out its plans on the same principle of scientific——

1824. Scientific payment of commissions?—As far as that goes, I do not think there is anything to choose upon the ground of expenses. I believe that the remuneration which the Prudential gives is just as much as the other companies give.

1825. As far as you know, there is no special keeping up, if a man fails to pay his premiums. The Prudential is not more liberal than others in helping him over the stile?—I am inclined to think that the Prudential has made some progress in that way with regard to applying surrender values for the benefit of people, to assist them in keeping up their premiums, and other matters of that kind.

1826. Were they the first to do that?—I think they were; I do not recollect anyone before them.

1827. Do you see any objection to the Post Office applying surrender values in that way?—On the contrary, I think that the more the Post Office recedes from the position taken up by the old companies with regard to forfeiture of policies on non-payment of premium, and the more the Post Office gives publicity and sanction to the idea that the man's payment of premium gives him an inalienable right to the equivalent of the premiums, and the more it lets the public see that it will not take advantage of anything which entails the risk of forfeiture, the better it will be for the Post Office and the public too. It would be a very excellent moral lesson if the Post Office were to revise its plans and its measures with that point in view.

1828. You would hardly expect the Post Office to do that in this branch and not in others, would you? For instance, you may have a 5*s.* telegram reply paid. That is forfeited within two months. At least, they pretend that they can forfeit within two months. I do not suppose that they cost 5*s.* You say "inalienable right"?—My meaning is this: As I ventured to say many years ago, in a pamphlet which I published in the year 1869, my view is that life insurance is not a trade. It is a trust. That is my firm conviction. When you accept money from a person upon a contract that you will pay the equivalent of that money to the person's representatives at his death, you are dealing with his money and not with your own.

1829. Yes; but I presume you would admit that, supposing it were a very small amount and the expenses were equal, or nearly equal, to that amount, it would be only fair to deduct those expenses from any money that he had to take?—Every trustee is entitled to have his expenses. I do not at all say that the Post Office should conduct it on charitable principles. On the contrary, I think it should be conducted on strictly commercial principles, and that the actual equivalent of the premium paid, after allowing the expenses of management, should actually reach the representatives of the deceased at some time or other, or the deceased himself in his lifetime.

1830. I do not think that you will find that the Post Office deals harshly in any way. I think that they are rather more liberal than the companies. I will leave that to the Post Office members to ask you about?—I think that that is quite the right position on their part. Just as we say that the Government should be the best employer of labour, so I think that the Post Office should be the best in dealing with its customers in regard to life insurance as well as other matters.

1831. That finishes the Prudential question?—Yes, that is all I know about it.

1832. What have you to say with regard to the adoption of commercial measures by the Post Office?—The question has struck me (and here I am speaking with the greatest possible deference and hesitation) whether there is any way of puffing and advertising the Post Office so as to get the public to understand that they really do get better terms from it than they can get in any other way. Without going in for canvassers and collectors, you might still reach in some way or other the intelligent portion of the public and show them that it is worth their while to be customers of the Post Office instead of being customers of these very extravagant societies and other bodies which appeal to them. I do not suggest it, but it is conceivable that the Post Office might grant commissions to those who introduce policies. I think that it would be a great pity if they did, but it is one method of dealing with the matter commercially, which I throw out as a conceivable method.

1833. You mean commissions to outsiders?—Yes, exactly.

1834. You are aware that they grant commissions to their own officers?—I did not know that. The Post Office largely advertises in post offices, and it is a question whether they might extend that practice of advertising—whether they might advertise elsewhere than in post offices—whether they might from time to time bring before the public the advantages which they offer, and so on. But what I have observed with regard to the publications of the Post Office, and, generally speaking, with regard to all publications which proceed from the Government Departments, whether it be the work of their own printers or others, is that somehow the outer appearance of the publication does not carry conviction. It does not startle the reader into belief.

1835. I suppose it is too much like the income tax papers?—Yes, very much indeed. What you ought to have is something in blue and red, and other colours of that kind, and instead of a long table you ought to have "What you may get for a penny a week," or some startling announcement of that kind. I am, of course, putting that only in a light-hearted way, but there is something, I think, in it. In some way or other the announcements which you make of what you can do for people should not be so much of the dry actuarial character that they are now. The bringing before the uninstructed public from time to time the real advantages that you are able to offer might be done in a less formal way, possibly.

1836. Your experience is very valuable as regards working-class people. I suppose they have now become educated in financial matters to such an extent that they understand what Government security means?—Yes, undoubtedly they do.

1837. As compared with the security of any company?—Yes, but they have still got a good deal of the ancient vice of speculation. They are rather disposed to manage their own affairs themselves, and to trust to the doctrine of chance to getting what they want at the right time.

1838. They do not like the blessed simplicity of the 3 per cents.?—No. You may perhaps be aware, my Lord, that I have lately been enlarging on the subject of old age pensions and the possibility, if the State is to do anything in that way, of the State doing it by means of a subvention in the form of additional interest, and I thought myself very profligately generous on behalf of the State in hinting at the State paying 4 per cent. interest, the amount which it pays to the ordinary public creditor not exceeding 3, not indeed being quite so much as 3 per cent. However, when I said that, the answer of some of the friendly societies was that they can already get 4¼ per cent. interest on their money.

1839. At the present moment can they get 4¼ per cent?—Yes. My answer to that is very simple. You may get 4 per cent. now and for some time to come, but you will not get 4 per cent. over a long series of years, say, 50 years, without possible loss of interest and possible loss of capital, and the Government, according to the plan I suggested, would give you an absolute guarantee that you should never have any loss of interest or any loss of capital—that the 4 per cent. should be actually paid to you, and the actual value paid to you in the form of deferred annuity or old age pension.

1840. We are not dealing with the question of deferred annuities upon this Committee?—No.

1841. I was really asking whether the working man does understand what Government guarantee means. He prefers high interest, I take it?—He prefers a higher interest for one thing, and he also has an uninstructed dislike to Government methods. His notion of Government is that it is a body which requires him to fill up a great number of forms, and which will impose all sorts of difficulties in the way of his getting what he wants out of it when the time comes for him to demand it. That is, I think, a very strong conviction in the minds of many.

1842. If you talk to collectors you find that the working man in the north of England always questions whether he should pay his premium, or whether he should give it to a man outside the works to put on a horse at Doncaster. The spirit of speculation is there, and until the Street Betting Act of last year came into force anybody could see it outside big works in the north of England?—It is of no use blinking the fact.

1843. You do not think that Government security, which is a large thing, is really a strong enough attraction to be a great advertisement for the Post Office?—Probably not; judging from what I know of even the thrifty and the intelligent working classes, I think they are so fond of their own ways, that even for the bribe of Government security they would not depart from them. I think I might refer, as some indication of that, to what happened when the question of Old Age Pensions was before Lord Rothchild's Committee, of which I was a member, some years ago. The proposals which were favourite proposals then, but which have now, I think, been pretty generally dropped, were proposals by which a pension, say, of 2*s.* 6*d.* should be given to every man who had already got 2*s.* 6*d.* through his friendly society. Those were the favourite proposals of that day. The witnesses who came before us on behalf of the friendly societies did not object to those proposals in principle, but when they saw that those proposals, involving a partnership, so to say, between the friendly societies and the Government, involved Government audit and Government inspection of their proceedings and, as they

Sir E. Brabrook, C.B.

10 Dec. 1907.

thought, Government interference with their management, they unanimously rejected that idea, and said that it would not at all work, and they could not possibly assent to it. So that I am afraid that, even among the instructed and intelligent of them, the question of absolute security is quite secondary to the question of managing their own affairs in their own way.

1844. Then you come to the possibility of co-operation with friendly societies?—Yes. There again we meet the conservatism of the working classes—I do not mean in a political sense, of course, but in the ordinary sense of the word. They do like their own ways, and it is exceedingly difficult to get them to depart from their own accustomed courses. I do not quite know how you could co-operate—whether it would be by re-assurance of the risks which they insure themselves, that would be a very good thing for them, if they would like to take it—or whether it would be by placing the societies in the position of agents and collectors, and giving them, I suppose, some small remuneration for their trouble. Either of those plans would be quite feasible, no doubt, but I doubt very much whether they would be very readily accepted by the societies. I think we should find that they are so wedded to their own ways that the offer of co-operation would not receive very much assent from them.

1845. Obviously, friendly societies are different You are not alluding to the insurance companies, but to the friendly societies proper?—Quite so.

1846. Would you include the collecting clubs in that?—I think not. I do not see how you could possibly co-operate with them. You could only be a rival to them in point of fact.

1847. We have heard that the Prudential attacked the very poorest classes in early days, and those classes in a prosperous country tend to become better and to go up higher. Therefore, it has occurred to me that possibly the small societies might be in some ways helped by the Savings Bank. It seems altogether wrong that 47½ per cent. of the receipts should be swallowed up by expenses in the case of the poorest class of the population. But this is rather outside our inquiry, because we have only the present system to deal with?—My opportunities of ascertaining the facts so as to give you any valuable opinion have been limited to what I have seen in the course of my official life, and I can only give a very hesitating and doubtful opinion with regard to anything that has not yet been attempted. My strong impression is that any movement of that kind would not be very warmly received by the general body of societies, either of the collecting class or of the ordinary class. Although I have spoken very strongly as to the enormous expenses of these societies, yet one must bear in mind that the collectors are bound to earn a living wage somehow or other, and that the payments which they receive are so small in each individual case that they do not amount in the majority of cases to more than reasonable remuneration for the great amount of time which they spend.

1848. You mean it is a case of the fallacy of percentages to some extent, because the amounts are so small?—Yes, that is so.

1849. You have experience of the Charity Organisation Society districts?—Your secretary was so good as to write to the Charity Organisation Society some little time ago to ask what information they could give this Committee. I happen to have been for the last three years, until the annual meeting of the present year, the Chairman of the Council of that Society, and also Chairman of its Thrift Committee, and in that capacity the communications came before me. Our Secretary to that Committee, Mr. Sharpe, had communicated with the districts of the Charity Organisation Society in London, to ascertain what information they could give him as to their experience. He had obtained from the several districts a number of communications which he intended to lay before you, if you had called him as a witness. I do not know whether he has sent to you the particulars of the results, but I think he will be prepared to do so. If your Committee are not disposed to call him to give evidence in person, perhaps you would invite him to communicate the results to your Secretary so that they might be laid before you.

1850. We shall be delighted to have those results at any rate. Perhaps you could tell us roughly what they are?—I can only tell you roughly, because I expected that he would give the details to you, and therefore I have not committed the particulars of them to memory, but roughly they mean this: that the managing members of the various districts have great opportunities of moving about among the working classes, and are very anxious to inculcate the necessity for thrift, and in point of fact we have prepared handbills and posters and other things of that kind which we circulate in various districts, pointing out the great advantage which the Post Office possesses over the collecting societies and other bodies in the way of economy, and we have done our best to advertise the Post Office in that respect. But the general experience of our district officers is that there is no possible way of competing with the influence of the collectors and canvassers of these societies. They get hold of the people, and their hold cannot be loosened by mere appeals to reason like that. There were one or two districts which were a little more sanguine than the rest, but the general testimony of all the districts was that so far as their experience went they were not able to succeed in persuading the people they dealt with of the great advantage which the Post Office possessed over these collecting societies, and the collecting societies are at any rate at present masters of the field in dealing with the lower working classes.

1851. Have you any statement to make as to the weekly payment being impossible to the Post Office, whereas in the case of the collecting societies collectors come round every week when wages are paid and get the money?—That is the great point. You have to deal with a class of people who have not the moral courage to go and take the trouble of paying their weekly contributions, but who will pay the weekly contributions when the collector comes round.

1852. In the Post Office they cannot pay the weekly contributions, they can only pay annually?—I did not know that. I thought that probably there was some arrangement by which the Savings Bank could receive the contributions. Is not that so?

1853. By transfer from deposits?—All that in their minds means extra trouble, and it is so easy to pay a penny to the collector when he comes. It relieves them of all those matters which they consider to be Government red tape.

1854. We did not really deal with canvassing very carefully. There may possibly be in your mind a difference between canvassing and collecting?—That is so.

1855. Is the collector invariably the canvasser, as far as you know, in these cases?—I think not, always.

1856. I suppose that if the Government collector came round, he would be looked on in much the same way as a rate collector would be looked upon, would he not?—Very much so indeed. You see the man who gets the business has a very good asset in it; he is the canvasser.

1857. That I quite understand?—He becomes immediately entitled so long as the policy lasts to what is practically an annuity to him, and he can get a collector to pay a good round sum for the privilege of collecting. The book is a thing which travels from hand to hand. When once the policy has been taken out and the canvasser has had his 13 weeks' pay out of it, the remainder is a thing which any collector may work, and which many collectors are willing to pay good round sums for the privilege of being allowed to work.

1858. Showing, indeed, the speculating character of the English insurance agent as well as of the working men?—Yes, very much indeed.

1859. Have you anything to say on the general question, or do you think that you have said all you have to say with regard to it in the evidence you have given?—I fancy that I have exhausted all that was in my mind when I was invited to give evidence. Nothing else occurs to me.

1860. I should like to ask you, did your experience go over the whole of Great Britain when you were connected with the friendly societies?—Yes.

1861. And Ireland?—Yes. The friendly society element is very much smaller, strangely smaller, in Scotland than in England.

1862. They prefer to invest their own money?—Yes, somehow they do. They are not so trustful, I think, of other people as the English.

1863. In Ireland did you have any experience?—Yes. The Irish branch has been subordinate to the central office ever since 1875, and it was in close communication with it before then.

1864. The really important thing in our investigation, which is with regard to life insurance, is whether there are a considerable number of people in these friendly societies who would be prepared to go up to a higher limit. I think Mr. Sim gave us the average of 10*l.*?—I think that that would be quite right.

1865. That is very small and probably not profitable?—Exactly.

1866. I speak only from the figures which we have received from witnesses. If those people were to come in and wish to insure to higher limits that might alter the question?—Yes. I should doubt whether there is any very large number who could be reached by that means, and the particulars which I have given of the two or three cases in which there has been an attempt to reach them show, I think, that the margin is very small.

1867. You stated, I think, at the beginning of your evidence that there were no Post Office collectors. There are the postmen, but it is perhaps undesirable that they should be taken out of their ordinary delivery beats?—What has always struck me in regard to that is that the people who pay these small sums are not the people who have a large correspondence, and therefore, even if the postmen were competent collectors, the staff would have to be greatly reorganised for the purpose of collecting. If they were to go from house to house and get money in the way that these collectors do, it would be necessarily quite apart from their ordinary business of delivering letters.

1868. From your experience on the Charity Organisation Society, are there a large number of people who receive no letters nowadays?—No, I should say not; but there are a large number who do not receive letters by every day's post.

1869. Yes. I suppose that you have seen the evidence before the Committee of, I think, 1893, where the question was raised as to whether elementary schoolmasters and schoolmistresses should be allowed to take up the position of collectors, and you have seen the objections that were raised there. Perhaps you have not studied that?—It is not in my memory just now.

1870. The objections there are what you have stated?—I have lately been, in connection with the Charity Organisation Society, endeavouring to influence the Board of Education towards encouraging the teaching of thrift and other things of that kind, and I have found so much opposition to the idea of adding to the duties of elementary teachers that I should think that anything in the nature of asking them to act as collectors would not be workable.

1871. (*Mr. Brown.*) You were speaking, Sir Edward, of the success of the canvassers of industrial companies and the collecting friendly societies in obtaining insurances, and the high commissions which were paid. Could you tell us how loss is avoided in that connection? There must be a considerable initial expense in the issue of the policy, and the commission itself is by no means negligible. If these policies quickly lapse there must consequently be a loss upon the society. Can you say what means are taken to prevent that?—The premiums are pretty heavily loaded.

1872. You do not happen to know whether the commission is payable at once?—No, it is not payable at once. I mean to say they do not pay out anything before they have received it, but the first 13 weeks' payments is a sum which is always appropriated, at least I think pretty generally, by the collector. The sole condition is that the money is paid to him. It does not reach the funds of the society at all.

1873. My next question relates to a matter of opinion, no doubt; but from your unique knowledge of thrift questions, your opinion would be extremely valuable. What would you call a reasonable amount for useful life insurance amongst what we have spoken of as the intelligent working classes?—I should certainly like to see it go to 50*l.* or 100*l.* in every case. The lot of a young widow left with young children must be extremely hard in many cases, and although there is a difference between her case and the case of those in another station in life, in the fact that there is employment open to a young widow of that class which would not be open to a widow of another class, yet certainly it does seem very hard that she should be left without any provision. I should say certainly that every well-to-do working man ought to be insured for at least 50*l.* or 100*l.*

1874. Insurances of that amount can of course be obtained from the ordinary insurance companies and from the industrial companies doing ordinary business at rates which would possibly compare favourably with any that we might offer, owing to the higher rate of interest which the companies can obtain for their investments. But I take it that, in the ordinary companies, those premiums would be payable yearly or at oftenest quarterly?—Yes.

1875. But in the case of the Post Office, through the Savings Bank system the premiums could be paid at frequent intervals, and that, no doubt, would be a considerable advantage to the insurers?—Yes. One of the things which I should like to see, if it were possible, the Post Office making simple and clear for the comprehension of the working classes is the really great advantage that they might get by adopting the Post Office insurance plans.

1876. Without any system of collection, if the insurers were encouraged in methodical and regular payment, do you think that the fact that they had to take their money to the Post Office would be any insuperable objection?—Not an insuperable objection certainly, but I am afraid it is a practical difficulty as things now are. I take it that the great bulk of the business which these collecting societies do is transacted with the mother—that she keeps out of the money which she extracts from her husband the proportion to pay these collections each week, and that it is done very much without any voluntary action on the part of the head of the family. What one wants to see very much is the sense of moral responsibility for his wife and children made very much more widespread among that division of the working classes than it is.

1877. In the case of a considerable number of friendly societies I think the premiums are taken to an office or to a secretary weekly or monthly, and are not called for?—Yes, that is so in the case of the ordinary friendly society, because the premium in the case where it is not a death levy is part of the insurance for sickness, and the member who is insured for sickness is sufficiently interested in that matter to be quite willing to attend the monthly meeting and to pay his contributions from time to time, and he is required to do so by the rules, and he incurs fines if he does not do so.

1878. In the case of the Foresters and the Manchester Unity, I suppose the social element would be a great attraction?—It is undoubtedly a very great attraction.

1879. But there are some friendly societies, I think, which are successful without that social attraction, are there not?—The class of centralised societies, such as the Hearts of Oak, and others of that kind, you mean?

1880. Yes?—There again, they, being centralised societies and without the social principle, find that their expense with regard to sickness is very heavy—more heavy than in the ordinary small lodge, where the members know each other. The social element is undoubtedly a strong element of value with regard to the working of friendly societies.

1881. You were good enough to give us some very interesting information about the efforts of the Foresters to institute insurance for reasonable sums. Did the advertisements which they issued appeal to others than their own members?—No. It was entirely limited to their own members.

Sir E. Brabrook, C.B.

10 Dec. 1907.

1882. From the point of view of thrift there is not much advantage in inducing people to insure children for small amounts against death, is there?—They are very anxious that they should be allowed the privilege of insuring children from birth; they are still fighting for it, in point of fact.

1883. They can already do that in the case of the insurance companies, can they not?—In the case of the insurance companies it is an insurance without insurable interest, but it is specially provided by the Collecting Societies Act that there shall not be an objection to it in the case of the insurance of the children of a member.

1884. Possibly an endowment for a child on reaching a certain age when it might be useful for apprenticeship, or something of the kind, would be of more use from the point of view of thrift?—Yes, that is done by some of the collecting societies, but it is a business which I think is of very doubtful advantage, because, being transacted at the enormous cost which their business always entails, really the person who purchases the endowment does not get value for his money, and if it were possible to establish any general system of endowment insurances it would be exceedingly desirable for the Post Office to step in, because the Government security and the advantages which they could offer in the guarantee of a reasonable accumulation would be very great.

1885. As regards the co-operation of friendly societies, our ideas are, I think, something of this kind: there have already been two or three cases in which tontine societies have been unable from their organisation to carry out the insurance of their members on their own account, and officers of the Post Office have brought under the notice of their secretaries and members the advantages which the Post Office could offer in that direction, and whole societies (small ones, it is true) have come to the Post Office, the secretaries acting as intermediaries and receiving the premiums for the Post Office along with the contributions of the members for their own purposes. It has occurred to us that something of the kind might be extended, especially in connection with the dividing societies or small societies who have not the strength to institute insurance for any considerable amount on their own account. It was rather our idea, I think, that the Secretary of the society should be paid a commission on the introduction of members, and possibly a small commission subsequently for collecting the premiums and handing them over to the Post Office. We did not wish in the least to interfere with the management of the friendly societies, but merely to use the officials of the society as our agents. Do you see any objection to that?—No; on the contrary, I think it is a most excellent movement. It is quite new to me that it has been carried out in these cases, and if it were possible to extend it, I should say it is very desirable indeed. The difficulty of these dividing and tontine societies is that they cannot ensure their continued existence; and if you could induce the members to consent to commute their present haphazard system of receiving money and dividing it at the end of the year for a system by which, at any rate, a certain portion should be permanently set aside for the sake of provision against death, it would be an immense advantage to them, and I should be very glad to hear that they had consented to it.

1886. (*Chairman.*) That would have to be on individual lines?—Yes, clearly.

1887. It seems to me that in the abstract a thing of that sort is very desirable, but when it comes to particular cases there may be very great difficulties because of that individual insurance. Is not that so? A tontine society, if it is a real tontine society, is a sort of gambling society?—The expression "tontine" is not used in the strict sense by these societies. They call themselves tontine, but they are really dividing societies—societies which pay for the sickness of the year and then at the end of the year divide the money that is left among themselves.

1888. To that they would have to add, as I understand it, a sufficient amount to carry out life insurance of the individual members?—Exactly. Instead of dividing among themselves, they would pay over a certain portion, according to the age of each individual, as insurance to the Post Office.

1889. They would become really friendly societies?—Yes. They are under the Friendly Societies Act now, and they only differ from the ordinary friendly society in that they do not accumulate funds, and they divide the balance of their money at the end of every year. They are not constituted on a proper scientific basis, but they are wonderfully attractive to the people. People like to see the colour of their money. They like to see something coming back to them. They do not like sinking it. If they could be induced to sink just as much as would render the life insurance safe it would be an immense advantage to them.

1890. That is a field which, rather contrary to the earlier evidence, you think it is possible to work?—I am not aware that it is done in any case, and I cannot say what would be the possible result of a suggestion of that kind made generally, but if it were accepted I can see that it would be exceedingly advantageous.

1891. (*Mr. Brown.*) Perhaps there would be no objection to the extension of a similar system to such societies as slate clubs which are not registered?—They can be registered. As you say, many of them are not registered, but they are the same thing as the societies called dividing societies and tontines and Birmingham benefit societies, and so forth. Those are only different names for the same thing.

1892. (*Chairman.*) Supposing that you had a tontine society of this class which was affiliated to the life insurance system, would it have power legally to pay up an individual member's assurance if he could not carry it on for a year or a month, or whatever the time might be, and make itself responsible?—I do not think it would under the existing rules. The members would say: "You are taking our money to pay for the "other man who has not paid his subscriptions."

1893. Then all they could do would be to put pressure on the individual man to keep up his individual subscription?—I think they could only act as agents or collectors on behalf of the department.

1894. (*Mr. Brown.*) With regard to the experience of the Charity Organization Society, I want to ask you one question. Were the efforts which the Society has been so good as to make to bring the Post Office system before those with whom they come in contact made recently?—Yes, quite recently. My Thrift Committee have printed a little circular which has been sent round to all the districts for the information of district visitors and other officers, and it is presumed that they go about with these circulars in their visitations, and upon suitable opportunities call the attention of the persons whom they visit to the advantage of going to the Post Office.

1895. Would the classes with whom they have come into contact without, as we are sorry to hear, very much prospect of success, be those classes that we have been speaking of as the intelligent or the better-class working men?—No, I am afraid that the general run of the people whom the Charity Organization Society comes across are persons who have been more or less failures in life, and therefore are not the *élite* of the working classes. But still they belong to a stratum among which the collectors and canvassers of the collecting societies work very largely, and so far it is evidence which is relevant to your inquiry.

1896. (*Mr. Denman.*) I should like to have a summing up of your evidence. I want to know what in general you regard as the function of the Post Office system: what its scope and possibilities, broadly speaking, are?—I look upon it as really the model of what life insurance ought to be. Looking upon it as I have always done as a trust and not as a trade, I cannot conceive any body better qualified to carry into effect the requirements of that trust than a public body and a portion of the administration of the government of the country. There is no fear of fraud, and no fear of illegality of any kind. You simply act with all the responsibility of a Government Department. You invest the money in the prescribed manner, and you cannot expend more than a certain proportion of the premiums, and therefore you give to all those who deal with you the best possible security they can get—a

security which is not the security of any board of directors, or other body of persons, however highly respectable and so forth, but the security of its being a part of the ordinary organisation of the Government for carrying out the work of administration. I cannot conceive any body that could do the work better than the Post Office, if only they adopted as the principle of their action the same principles which have been found to be conducive to the success of the great insurance companies.

1897. That is to say, you wish the Post Office to hold up a sound idea of insurance to the working classes, and offer a system of which they can take advantage when they choose?—Yes, and I would go further, and extend it to any classes which like to insure. I do not see any reason why the advantage of insurance with the Post Office should not be offered to the general public.

1898. It rather follows from that that you would not care about the Post Office undertaking merely the payment of burial money, or rather that you might wish them to eliminate that part of insurance from their business?—No. I think that is simply an insurance of small amounts, and I do not know why they should not insure small amounts as well as large. If I had my way I would not really impose any limit either minimum or maximum on the amount insured. The Post Office can deal with any transactions, however small or however large.

1899. Do you think that those small insurances are of any real economic advantage to the individual taking them out?—I am sorry to see them content with merely providing for the expenses of burial, but providing for the expenses of burial is something certainly, and I suppose that really it arises from the fact, which is a creditable fact to human nature, that there is an instinct in us to go spending money in doing honour to the deceased. That begun by neighbours and friends combining together and ended in the form of a regular insurance of burial money. I believe that burial fund insurance goes back to China on the one hand and to Ancient Greece on the other. It really answers to a kind of instinct of human nature which is worth respecting, I think, and worth assisting by creating an organised system of insurance to gratify it. I recollect a curious case which occurred in connection with our jurisdiction for the settlement of disputes in savings banks. In one of the East End savings banks a good lady residing in Whitechapel had deposited something between 50*l.* and 60*l.* in the trustee savings bank in the neighbourhood. She died leaving no relative except an illegitimate daughter, a woman of about 50. The lady who died died at the age of 70. The daughter spent all that money on the most gorgeous funeral that Whitechapel ever saw, and the savings bank demurred to paying the money on the ground that it was quite an unreasonable amount to spend upon a funeral, and that as she had no other legal claim she ought not to have the money. But the argument of the daughter was, "Well, poor old lady she had a great deal of trouble in her life, and she deserved to be buried in comfort."

Sir E. Brabrook, C.B.

10 Dec. 1907.

1900. (*Chairman.*) There is just one thing which I should like to ask you before you go apropos of the general principle. You are in favour of a general State insurance as far as life goes?—Yes, as far as life goes. It seems to me that it is quite legitimate.

1901. If there is a surplus over, do you think, from your great experience, that it ought to go into the hands of the Consolidated Fund, the Treasury, or should be applied to insurance proper?—In the event of any really large Government department of insurance being contemplated I should be disposed to suggest as nearly as possible the continuous valuation of its affairs—I should say an annual valuation of its affairs. I believe it could be organised so that actuarially there never could be a surplus or deficit. That is to say, the actual actuarial position might be ascertained from time to time, and if there was a surplus that should be equitably divided among the members.

1902. But that rather raises the whole point, should it be divided among members, as undoubtedly the insurance offices do, or should it be put to lowering premiums, because your continual actuarial valuation would involve a continual change of premiums?—Yes. The lowering of the premium would be simply an alternative method of giving the bonus, and the bonus might be given in cash.

1903. We have heard very considerable objections which, to my mind, and I think to the minds of the other members of the Committee, have weight against a cash distribution on the part of the Government, and several witnesses, I think, have said that a far better way is to alter premiums. I presume you are desirous that it should be a solvent fund for everyone who wishes to use it?—Yes, certainly.

1904. And not necessarily lower than other funds, but with the guarantee of the State behind it? I conclude, also, from your evidence, that you do not desire that there should be a deficit to be made up by the State?—No.

1905. That is to say, not continuously?—Certainly. It would be necessary to provide for revision of the rates. In the event of the rates turning out to be insufficient, however, through the increased mortality or diminished longevity of the people, or through a difference in the rate of interest, that would undoubtedly be necessary; and in like manner, on the other side, a provision for applying the profits of the business to the benefit of those from whom they were derived, would be necessary. My own experience in insurance is that it has always been the pleasantest thing to find one's premium extinguished by means of bonus, and I should think, speaking generally, that the provision for diminution of premiums out of profits would be the one that was most favourable to the interests of the insured.

The witness withdrew.

Adjourned.

SIXTH DAY.

Tuesday, 21st January 1908.

PRESENT:

LORD FARRER (*in the Chair*).

F. J. BROWN, Esq.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. G. TURPIN, Esq.
E. RAVEN, Esq. (Secretary).

Mr. GEORGE EDSER called and examined.

Mr. G. Edser.

21 Jan. 1908.

1906. (*Chairman.*) I think you have been acting as collector to a society of Foresters at Guildford for a good many years?—Yes.

1907. Could you tell the Committee how many years it is?—Well, I have been collecting for nine years.

1908. Do you know at all when that society was founded?—In 1861.

1909. And you have been a member for a good many more years than you have collected for it?—Yes, I have been a member for 32 years.

Mr. G. Edser.

21 Jan. 1908.

1910. Has that a large membership among the rural parts of the district which you live in?—Well, chiefly there.

1911. Was it started at Guildford?—At Guildford.

1912. And has it developed branches in the neighbourhood?—Yes, in the neighbourhood of Ashcombe and Chiddingfold, and Haslemere and Ewhurst.

1913. I take it that it is the practice of the society to establish centres at various local towns and to work the district from those towns?—Yes, that is quite so.

1914. Does it establish regular agents, as the Prudential Company does?—No, not exactly. You see we have a court room at each village, the same as at Shere, the lodge I belong to. Our court room is held at the "White Horse" Inn, Shere, and the others generally at their respective villages. The members visit those lodges once a month. The society is carried on in a different way altogether from the Prudential.

1915. I take it that the benefits of your society are principally burial and sick pay?—Yes, principally burial and sick pay.

1916. Is there any provision for life insurance at all?—No more than reduced pay during illness.

1917. And a fixed sum at death?—Yes. There is a fixed sum at death. On the death of a member 12*l.* is paid.

1918. It is fixed, and that amount may not be exceeded?—No.

1919. Do you feel the competition of the insurance companies very largely?—No, not particularly. The only competition we feel is what they call the National Deposit, West Surrey.

1920. Does that give your benefits, and others as well?—No, not quite. Their benefits are different from ours, in a way. The National Deposit really only work on their own principle, you see, but we pay our regular contribution to our society, and by so doing each member helps the others. In the National Deposit it is more of a savings bank, although there is a certain amount of sick pay allowed in the National Deposit; but then they do not pay out exactly in the same way as the Foresters and Oddfellows, and societies of that kind.

1921. Yours is a purely mutual society?—Yes.

1922. Perhaps you could tell the Committee whether your experience is that the society is flourishing and young men join?—Yes. We have flourished considerably up till last year. Last year we were rather slack in membership, but, barring last year, we have done exceedingly well. In our little village we had at the close of the year 315 members in our lodge—the Shere Lodge.

1923. Do you think, from your experience, that the benefit principally desired is funeral expenses at death or something for those who are left afterwards?—I think that the chief object of the men is to pay in to assist them in sickness.

1924. Do you think that the sick pay is a greater attraction than the money at death?—Yes, I think so; because, for one reason, you see, if a man is laid up the wife or those depending on him receive the sick allowance once a week. It comes weekly.

1925. That is the real basis of it, and not the death allowance?—No.

1926. But the death allowance deals, I suppose, with expenses that come under any circumstances at death?—Yes. You see, we have a separate fund for the death expenses. We contribute—each member—4*s.* a year throughout the district.

1927. Then the same subscription does not cover both?—No. We have a sick contribution fund, and a management fund, and a sick fund, and we also have a surgeon's fund. They are all separate funds, and we are bound to keep them all separate.

1928. There is only one other thing which I want to know, which is, have you had any applications from any of your members that the amount of money granted should be increased at death by an increased payment?—No. We used to pay 10*l.* per member, but this last eight or ten years we have increased that to 12*l.* upon the death of a member, or 6*l.* upon the death of a wife of a member if the wife should die first.

1929. I think you told me when I was speaking to you on this subject some time ago that practically you had never heard of any Post Office or Government insurance?—No, I had not until you mentioned it, my Lord.

1930. So that there has been no demand for increasing the particular benefits that your society gives as far as you know?—No, not that I am aware of.

1931. Is there any general statement you would like to make about the society before the other members of the Committee ask you questions?—I have the balance sheets for the last two years.

1932. Perhaps we might have those handed in. The society is flourishing, as far as you know?—Yes. I have paid this last year 375*l.* for sickness to 70 members, and then we have saved 103*l.*

1933. Have you given the actual name of the society?—Ours is the Modern Order of Foresters.

1934. (*Mr. Davies.*) You say that you keep the funds of each branch of your benefits quite distinct?—Quite distinct.

1935. Do you call one of them a burial fund?—One a burial fund.

1936. And you say that the payment now is 12*l.*?—Yes—at the death of a member.

1937. What subscription do they pay for the 12*l.*?—Four shillings a year.

1938. Can they enter at any age?—From 16 to 40.

1939. And a man of 40 pays the same amount as a youth of 16?—Yes.

1940. How do you invest those funds?—Chiefly in house property and rates. It is chiefly on house property.

1941. On mortgages of house property?—Yes, on mortgages.

1942. What interest do you reckon to make on the whole—about 4 per cent?—Four per cent. We may have one or two mortgages a trifle over, but the average is 4 per cent.

1943. You consider that your burial fund is in a thoroughly satisfactory position?—Yes, quite so. Taking the burial fund last year, we saved on the whole district 227*l.* 9*s.* 0*d.*

1944. Is 12*l.* the highest amount that you pay at death?—What we call our chief lodge, which is in Guildford, pays the 12*l.* from the funeral fund and adds 2*l.* from the sick contribution fund, which makes, with respect to that lodge, 14*l.* per member. But, you see, with regard to the other lodges, their sick fund does not allow it. They do not feel inclined to adopt that plan, but our chief lodge does so long as the contribution of a member stands at a certain point.

1945. Can one of your members insure for more than 14*l.* altogether at death?—Not in our society.

1946. And you have no system of insuring for any provision beyond that for the widow?—No. After the husband is dead and leaves a widow, if she likes to do so, she contributes the same amount of money as the husband did before death, and she receives 6*l.*

1947. Do you allow any woman to belong to your society except the widows of members?—No, only widows of members.

1948. On the death of a member his widow can come in and be a member for the benefit of sick pay?—Not sick pay—only for funeral expenses.

1949. Only for her own funeral?—Only the death fund.

1950. Would it be any advantage to your society to insure your members for that 12*l.* or 14*l.* with the Government?—I could not say; I do not know. I should not think that it would be much advantage to us.

1951. In the first place I suppose no member would want to pay more than 4*s.* a year?—No. You see, one of the greatest points we have to deal with is the pay. We are obliged to keep it as low as we possibly can because the majority of our members are agricultural men.

1952. Do you guarantee the 12*l.*, or do you say, "Contribute 4*s.* a year and we will give you what the "fund can spare"?—We guarantee the 12*l.*, providing we have enough in the fund that is laid aside for the death fund. Each member contributes 1*s.* on the death of a brother member providing there is not enough in the fund.

1953. You have a special levy?—We have a special levy. We levy 1*s.* a member; that is mentioned in our rules.

1954. But, speaking generally, you invest your money well enough for the ordinary subscription to provide all that is necessary?—Yes. I have been a member 32 years, and there has not been a levy yet in either of the lodges that I am aware of.

1955. You have not had a levy during all that time?—No.

1956. That is very good?—Since we commenced to invest the money, we have had no trouble at all with it. We did not before, in fact. It was not very strong when we first commenced, but when we began to increase in membership and get branch lodges and courts, our money began to increase, and we began to invest. At the first onset we only deposited chiefly in the banks—in the first instance in the Post Office Savings Bank—what we had to spare.

1957. Do your members, as a rule, insure their lives as well with the Prudential or any other company?—I know there are some, but I could not say how many. I could not give the number or any idea what the number would be. I know that some of them do.

1958. But you have not heard of any of them insuring with the Post Office?—Not one, and I have spoken with several since Lord Farrer spoke to me about it. They never knew of it before, and I am sure I never heard of it before.

1959. (*Mr. Brown.*) Would you mind telling us what the contribution for the sick benefit is?—We have what we call four scales in ours. The lowest scale is a member paying 9*d.* a month for sick contribution: that entitles him to 7*s.* 6*d.* a week for 52 weeks. The next scale is 1*s.* 3*d.* for sick contribution: that entitles the member to 11*s.* 3*d.* a week for 52 weeks. The third scale is 1*s.* 9*d.* per month, and that entitles him to 15*s.* per week for 52 weeks. The fourth scale is 2*s.* 3*d.* a month, and he receives 18*s.* 9*d.* per week for 52 weeks. After 52 weeks there is a reduced scale of payment (rather less than half rates) lasting throughout the illness.

1960. These payments are made monthly?—Yes, they are made monthly.

1961. Are they brought to the court?—They are brought to the court or sent by post.

1962. What is your duty as collector—simply to collect the payments when they are brought to the court?—Yes.

1963. Do you find that there is much difficulty in getting the payments made regularly?— No. They know that if their contributions are not paid regularly there is a fine imposed, and they do not wish to have a fine imposed, so they make an effort to attend and pay regularly. They do not all come once a month, but a great many of them do. They are at liberty to pay once a month, or two months, or three months, but they must not let their contributions be more than three months in arrear. Those that are far away from the court-house or lodge-room, as we call it, always send by post once a quarter. That is the way in which we arrange our payments.

1964. And I suppose that probably their expenses are reckoned on a weekly basis, and they put by so much a week, as a rule?—Yes, I think they do. They are very good. The majority of our members are very good in that respect. Through unfortunate circumstances and other things you find some defaulters at times.

1965. But not many?—Not many. Taking it on the whole, with 300 men, it is very good, I think. Very few fines are inflicted.

1966. Have you to send reminders to them by post?—Yes. I have to do that after they are four months in arrear.

1967. Not before?—Not before.

1968. You do not send them notices of the court meeting?—No, our Order does not, but the Ancient Order does. They send a report once in three months—at the quarter.

1969. The court is a sort of social affair, is it not, to a certain extent?—Yes, it is; but as far as that goes they merely come in and pay their contribution and go out again. There is no delay—they do not stop.

1970. It is not a smoking concert, or anything of that sort?—No; and one thing I am very proud to say is that it is not a drinking affair so far as I have known. For the last 15 years I can warrant that our lodge-room has been as free from alcoholic drinks as ever I knew a place. Although it joins the public-house, it is an independent room altogether from the inn, and they have no need to go into the inn at all to get into the lodge-room. It is quite a private affair, and they can go in and out of the lodge-room without having any drink or anything else. I leave you to judge for yourselves to what extent it is a social affair when I tell you that we open our books at a quarter past 7 in the evening and we close them at 9, so there is not much time for anything else after we have taken our contributions. Sometimes our contributions amount to 25*l.*, 29*l.*, or 30*l.* a quarter. That is not monthly. The other lodge nights only amount to a few pounds. Our annual meeting is coming on. If you came there after that annual meeting was over you would see scarcely any men about the place, but the room would be full when the meeting was on.

1971. Have the members very much to do with the management of the society?—We have a committee of six, and a chairman and vice-chairman, and they manage the collecting and seeing to the principal transactions, and we have three trustees and a treasurer.

1972. Mr. Davies has already asked you whether many of the members were insured with the Prudential or other companies, and you said that some were?—Yes, but I could not say how many. There are some, I know.

1973. Do not you think there is really scope for a larger amount of insurance in some cases? I know it is necessary that the contributions should be kept as low as possible, but have you not known cases in which it would have been extremely useful if a widow had had, say, 50*l.* to fall back on?—Yes, it would.

1974. The idea of some of us was that the Post Office scheme might be useful in that direction. Suppose a young fellow by starting early in life could insure himself for 50*l.* in the Post Office at 4*d.* or 5*d.* a week?—Yes.

1975. Would that be beyond the ability of most of your members?—I should say not—if they felt inclined to pay it. I was thinking myself of about the same price when I was coming up in the train this morning. It would really be an easy payment. The highest scale, 2*s.* a month—that is, 1*s.* 9*d.* for the sick contribution and 3*d.* a month for management—amounts to 6*d.* a week. They pay 6*d.* a week to the society. A good many of them, I dare say, would be able to spare 3*d.* or 4*d.* a week for insurance. I know that a good many of them do not altogether approve of life insurance. They say that they feel that they should like to be joining something, so that when they felt unable or too ill to work they would be able to draw a little money without working quite so hard. I have certainly heard them say that. I believe you can draw on some insurance companies like the Prudential, but I have not had anything to do with them myself and really do not know how they do work. There are some insurance societies where, I believe, you pay in a premium and after so many years you draw so much.

1976. In the Post Office, for instance, you could arrange to have the 50*l.* paid at the age of 60 or 65, or sooner in case of death. That, to some extent, would meet your point?—Yes, it would, and I think if they were to work on that point it would be beneficial, and it would be a help to the society in that respect.

1977. Supposing that any of your members were to insure with the Post Office, do you think they would prefer to pay the amount direct to the Post Office, or do you think it would be more convenient in some cases if it were paid along with their contribution to your

Mr. G. Edser.

21 Jan. 1908.

society? We had some sort of idea that perhaps collectors or secretaries of friendly societies might collect the premiums for the Post Office at the same time and hand them over?—Yes, I follow.

1978. Subject, of course, to a certain small remuneration, do you think that there would be any advantage in that beyond what there would be in taking the premium to the nearest Post Office?—I do not know how they would take that, I am sure, but I think I would rather leave that question until I have spoken to some of the other secretaries and the committees.

1979. You would not like to commit yourself now?—No, I should not—not that I should object to it in any way or feel that I could object to it—not at all; but I should not like to commit myself without speaking to them about it.

1980. It is clear that we should not have to come into competition with your burial fund. The amounts that I have in mind would be considerably larger than that, so that there would be really no competition between the two things?—If we could draw up some sort of a scheme for me to read and lay out before different members at meetings or anything of that sort, then they would know that there was some scheme at work and they would know how to deal with it.

1981. (*Mr. Denman.*) You say that you know that some of your members insure with the Prudential?—Yes.

1982. Can you give me any reason why they should insure with the Prudential rather than with the Post Office, when the Prudential is much more expensive?—I do not know that they have ever been approached in any way with regard to the Post Office. I feel that I am quite right in saying that they were in the same hole as myself and were quite unaware of any such thing in the Post Office.

1983. Assuming that they knew that they could be insured in a cheaper scheme in the Post Office, do you think they would be less likely to be attracted by the Prudential?—Yes, I think so; because, for one thing, you could impress on the mind that it would be more sound than the Prudential. It would be a Government scheme, in a manner of speaking.

1984. I suppose that many of your members are depositors in the Post Office Savings Bank?—Yes, there are some depositors.

1985. So that they would get leaflets explaining to them the advantages of the Post Office system?—Yes.

1986. Which leaflets, I suppose, they do not read?—No. I daresay they are something the same as others and put them on one side.

1987. Really, in order to bring the fact that the Post Office offers advantageous insurance before their minds, you must have a person to explain it to them rather than a leaflet enclosed in their bank books?—Yes. If they can see your mouth open and hear what you are saying, they take more notice of it than they do of a piece of paper. Paper burns so easily; at least, I find it so amongst our members.

1988. In your society do you help people who default in the payment of their subscriptions in any way?—We have no separate fund for that. What we have is a voluntary subscription among the members. When they write to the secretary and say that they are in difficulties, he lays the letter before the committee, and a subscription is made for them. That is the way in which we help. But we have very little of that to do, I am thankful to say.

1989. (*Chairman.*) May I ask whether you have ever heard of that being done with regard to insurance for larger sums? We know that in the towns, when people are out of work, the Prudential agent helps them over; but that has not occurred, to your knowledge?—No, not to my knowledge.

1990. Is there anything you would like to say generally?—No, I do not know that there is, my Lord.

1991. I supose you think that in any case of collection among working men the time of collection has a good deal to do with it?—I do not know. I sometimes think they leave it chiefly to the wife. You must approach the man to know whether he is willing to be a member or anything of the sort, but otherwise it lies chiefly with the wife to pay the subscription, so that the collection really may take place at any time during the day.

1992. I think you said that your collection was monthly?—Yes, our collection is monthly.

1993. You do not find that weekly or six-monthly, or any other term, is better than monthly?—No, not at all.

1994. Do you think that the average man puts by his wages each week to save up for that month, or pays it out of the wages for that month?—I do not think so. I think he generally lays a bit on one side for it. It is quite certain that some of them must do so, or in their circumstances they would not be able to pay the subscription.

1995. We have had some evidence before us with regard to the towns, that a weekly collection is almost necessary to insure success in life insurance, and that the reason of the great success of the Prudential has been that it has adapted itself to that weekly payment?—Yes. I should say, for my own part, that that is the one point in success, because the Prudential payments are very small in a great many cases. If they were to have a monthly meeting, the same as the Foresters or any other of the friendly societies, it is ten to one that they would not get on so well as they do now. So I think that in anything of that sort a weekly collection is much better.

1996. (*Mr. Davies.*) The Post Office Savings Bank has a system—I do not know whether you know it—of a little form with 12 spaces, each one to hold a penny stamp?—Yes, I have heard of it.

1997. Do you think that people of the class to which your members belong who insure their lives, supposing that the subscription were 3*d.* a week, would put three penny stamps every week on a form and take it to the Post Office every month?—No doubt they would.

1998. Do you think that that would be just as effective as calling for the money?—Yes.

1999. If a man has a wish to insure at all, he has enough self-command to put the money aside when he has it?—Yes. My opinion of the working man is that if he joins anything of that kind, he joins with the intention of looking after it and seeing that it is all paid. That is what I have found in the class that we deal with.

2000. So you think really that the stamp slip that he could fill up himself week by week and take to the Post Office periodically would be just as effective as the collection?—Yes, I believe so.

The witness withdrew.

Adjourned for a short time.

Mr. W. Walker.

Mr. W. WALKER called and examined.

2001. (*Chairman.*) You have been good enough to come before this Committee to give us the benefit of your experience as head of the Post Office telephone canvassing department. We have not a definite statement on canvassing in any way before us, but several of the preceding Committees that have sat have given it as their opinion that canvassing is absolutely essential in some shape or other in order to make any Government scheme of insurance a success; therefore, we thought you might perhaps tell us something as regards your canvassing in the Telephone Department?—I think, before you make the progress that is possible in connection with the scheme before your minds, canvassing is inevitable.

2002. With regard to the telephones, your only competitor is the National Telephone Company, and I suppose, to some extent, the telegraph?—Practically the National Telephone Company only.

2003. Then, perhaps, I might ask, because I am an outsider and know nothing of it, do you have a staff under you?—Yes.

2004. Is that staff paid by results in any way?—No. At the time the canvassing staff was organised, it was anticipated that canvassers would be paid a salary and a commission; but owing to experience afterwards obtained of departmental working, and because of the fact that in connection with telephone business, after contracts are obtained, so many circumstances arise, such as wayleave difficulties, over which the Department has no control, it became evident that payment by commission would be impracticable. The special circumstances referred to would not arise in connection with insurance business.

2005. Geographical circumstances make it hard on the canvasser?—Not geographical circumstances; the provision of telephone facilities is frequently subject to a variety of hindrances. I may add that I have had a long and varied experience of payment by result; and I am of opinion that for such duty as canvassing, payment by commission is generally good for both the employer and the employee. The necessity for the abandonment of the Commission proposals for the canvassing staff was, for me, a personal disappointment.

2006. Could you not give a man a living wage and a commission in addition?—Even supposing you did that, so long as you held out the prospect of a commission do not forget that the man that you are offering that to, in a large percentage of cases, is a man to whom that money is very important; and if you hold up by any means a prospect of earning money that is ultimately lost, and he thinks not through any fault of his, it becomes either an imagined or real grievance in his mind.

2007. You would say that in the case of the telephone it is more so than in the case of sub-postmasters who are allowed commissions on certain branches of Post Office work?—Yes. I should imagine that wherever commissions do arise to-day, in the case of the sub-postmaster, they arise practically in spite of his efforts; whereas with regard to the subject before your mind now, the commission to be earned is entirely due to effort. That makes a very material difference.

2008. Perhaps you would tell us in addition to that, with regard to telephones, whether you have found the canvassing bring in business. Naturally I do not wish to have any Departmental secrets, but on the whole is it useful to you?—I am afraid you have asked the wrong person, because I am entirely responsible for it, and I could only say yes; but I think that the results obtained since we started are ample evidence that it has been a success. I had an experience last week which may show you the difference between appealing to people by letter and by personal representation. At the present time in connection with the telephone branch (this is no secret) in some of our older exchanges the terms upon which the telephones have been supplied have been found to be unremunerative, so it has now been decided that those particular subscribers have to come into line with the newer conditions. In one particular area which I went to myself last week, to which 35 letters were sent, the Department only received three satisfactory replies. I do not know exactly how it will finish up yet, but on Saturday I obtained six agreements from people who were previously unwilling to sign the fresh contracts. In other words, personal contact produced six on Saturday; how many will be produced out of the 50 yet, I cannot say. The same kind of reasoning applies all along the line.

2009. The only experience of canvassing I have had on a large scale is railway canvassing. You are doubtless aware that railway companies think that canvassing has been carried to gross excess. The chief advantage is that it brings some personal contact between the trader and the person organising the service canvassed for?—Yes.

2010. That is really what you mean—that you get into touch with the customer?—That is so.

2011. The difficulty with our railroads has been that we have not been able to pay by results, owing to the fact that one canvasser may have an unremunerative district, and another may have a remunerative district. I take it that it is very much the same with the Post Office?—Yes.

2012. But at the same time I do not think it would be possible to do away with canvassing altogether on railways. But that perhaps is not exactly within our reference. However, you think it is almost necessary for anything in the nature of a commercial service?—I do, if you intend to make that service a success; and I rely not only upon my own experience but upon the fact that it is almost universally applied.

2013. If that is your reason, why should not you say that it is equally important to canvass people to use the telegraph?—Because I am not interested. If I was in the telegraph branch I might put it that way.

2014. Would you equally apply it to the penny post?—Possibly.

2015. You think you could induce advertisers, for instance, to use a large quantity of postal facilities if you had a man persuading them to do so?—You would do more, but the circumstances are not quite parallel.

2016. No, they are not?—One is a small item and the other is a fairly large one. Generally speaking, the greater the monetary value of the subject which is being canvassed, the more skill and perseverance is required by the canvasser to attain success.

2017. The parcels post, I think, has no canvassers?—No.

2018. Although the railways canvass for their parcels?—Yes.

2019. Is that just chance? Perhaps I ought not to ask you that question, but I should ask the Department?—Some of the gentlemen round the table know that, no doubt, better than I do.

2020. But, on the whole, canvassing is really, in your opinion, most useful in bringing the customer and the service rendered into communication?—Yes.

2021. (*Mr. Denman.*) The Post Office telephone business was the first business over which the Post Office undertook any canvassing, was it not?—That is so, so far as I have learnt.

2022. Can you give us the special reasons that caused the change in the practice from a total absence of canvassing to somewhat energetic canvassing?—Yes; the evidence the Department had that, they had been unsuccessful without canvassing.

2023. Does the canvassing take place mostly in competitive areas, or non-competitive?—In both.

2024. Are you often in conflict with the National Telephone Company over the body of any individual prospective subscriber?—Yes, probably more frequently than any other human being connected with the Post Office. I delight in it.

2025. The Post Office object in canvassing is in order to carry on a business which it has undertaken on reasonable commercial lines?—Yes.

2026. (*Mr. Brown.*) The canvassing makes all the difference very often between an Exchange being perfectly unremunerative and its being profitable, does it not?—Yes, I think that that has been proven.

2027. I believe you have been making some little inquiry as to the practice of the industrial insurance companies with regard to canvassing. Could you give us any information?—I am afraid that I have not very much to guide me with regard to the practice beyond what I have known for years as common knowledge. They all canvass. The most successful companies do not even rely on a canvasser having commission as being a sufficient incentive to him to work, but they have superintendents to see that he does work.

2028. That increases the cost of insurance immensely, of course?—Yes.

2029. Do you know how our commissions compare with the commissions which they pay for new business?—I am not aware that you pay commissions yet.

2030. Yes; for any policy up to and including 10*l.* we pay 1*s.*; for any policy of from 10*l.* to 25*l.* we pay 2*s.*; for any policy from 25*l.* to 50*l.*, 3*s.*, and up to 100*l.*, 4*s.*?—I do not think you are very far out; a common practice of some insurance companies is to pay 12 times the weekly premium—that is 1*s.*

Mr. W. Walker.

21 Jan. 1908.

2031. Do you think that there is any half-way house between an active canvass and the present system, under which, I am afraid, the Post Office scheme is not very well known. Do you think that something might be done by the dissemination of attractive circulars on the subject, with arrangements under which a Post Office official might readily call to supply further information if the smallest desire were manifested for it?—Yes. I would also periodically remind those of the staff who were interested in the commission that by increased attention to the subject they might increase their incomes. For example, to whom are those commissions payable? Any postman?

2032. Technically, I think any officer of the Post Office?—It would be interesting to find out how many of those same men entitled to earn that commission have been paying attention to the subject.

2033. (*Chairman.*) Perhaps I might ask if any of your canvassers have tried to do anything?—No; we have not had the opportunity.

2034. We have had evidence with regard to this?—I may explain that up to the present the canvassing staff has not been placed on the Post Office establishment.

2035. (*Mr. Brown.*) Would you have any faith in the widespread distribution of circulars on the subject and in attractive advertisement?—Yes, up to a point.

2036. Do not you think that something might be done in that way without the setting loose of an army of canvassers in competition with the industrial companies?—Supposing that you send out the pamphlets, the existing insurance companies at once see the Post Office waking up; and assuming that you confine yourself to pamphlets you probably do more harm than good to your own efforts, because the companies by their free hand in combating any competition that arises would probably make a special effort to counteract the effects of the circulars unless they were followed up by some form of canvass.

2037. You have been looking at our existing system of Post Office insurance. Might I ask whether, with your experience of the industrial classes, any points of improvement have suggested themselves generally—I do not mean in detail?—I am sorry to say that I am not in a position to make a statement on that subject because I have not given it sufficient attention. It requires very close study, and I would require to have a large number of insurance companies' rates before my mind before I would care to express an opinion. The 10*l.* is decidedly favourable to the public compared with anything I have ever seen.

2038. I think that in some of your earlier experience you have had to do particularly with the classes which the Post Office system might be expected to reach?—Yes, I have.

2039. The people whom your men are now canvassing for telephones would not be the class that would be most likely to supply insurers?—If you refer now particularly to the heads of the firms we are calling upon, that is so; but when a man enters an office, if he felt that there was a chance of introducing insurance and he had an incentive behind that chance, he might pick up business from the office. But the limitations of Post Office insurance, of course, would scarcely appeal to the head of a large firm.

2040. No; but harking back to your experience of the classes whom we might be more likely to reach, would you think that the absence of a system of collection of premiums would be very fatal to success?—I fear it would. The improvidence of the working classes of the British public is very alarming.

2041. I think you have been concerned in businesses which have had systems of weekly or monthly collections?—Yes. I have controlled over 200 canvassers at one time.

2042. And did they collect as well as canvass?—Yes, they collected as well as canvassed.

2043. The canvassing and collection were in respect of the sale of goods?—Yes.

2044. Was there any arrangement under that system under which the instalments, instead of being called for, were sent to a central office by post, or taken there?—It is so in industrial insurance now. Some companies are not very particular to insist, when a member leaves one district and goes into another, that he is transferred. It is largely left to the agent to decide whether he is transferred or not. The agent does not call; it is all done by post.

2045. In your experience of that sort of thing, have you found that the instalments have been pretty regularly paid when they have not been called for?—Yes. If the member was not a good member you can take it that the local agent who had lost that member would be very glad to get rid of him. It is the good ones he keeps. Therefore, the plan of postage with regard to those clearly meets your inquiry. The percentage of bad cases—of people who are improvident—is very high. That is my experience.

2046. But there is a certain percentage who would have sufficient method to send or take their instalments to the nearest post office if they were not called for, so that the absence of a collecting system would not necessarily mean non-success?—So far as that feature of your proposition is concerned, I should say that no other organisation in the country could compare with the Post Office for convenience, and from that standpoint it should be very workable for the Post Office with a little looking after.

2047. (*Mr. Davies.*) Have you any system of training canvassers?—Yes, I maintain a close personal control over the staff.

2048. You select all the men who are engaged now?—Yes.

2049. Do you select them for certain personal characteristics or qualities?—Yes.

2050. Would you say that the average Post Office official in the country looked like a canvasser?—Well, that is rather a tall order. I have found some very capable men in the country in post offices, but they have not all been capable, so far as my experience goes—I mean for canvassers.

2051. Supposing that the Government decided to canvass for insurance, but only to employ canvassers already in its service and not to employ outside people, do you think that any large proportion of the people in the service of the Post Office now would be successful as canvassers?—I think that that would be an experiment very well worth trying.

2052. If you were organising the business, would you put them through any preliminary course of training?—That would be somewhat difficult with such a large staff as there is in the service of the Post Office, and, moreover, your question seems to point to local post office people doing all they can in the matter.

2053. Yes?—But even those people would be none the worse for a reminder, so that the subject might be kept well before them periodically—and by an experienced canvasser—if you want to get the best results.

2054. Is there any sort of manual upon the subject of how to become a successful canvasser?—Yes, there are such manuals, but I do not think that they are worth reading, as method in canvassing is very much an individual matter.

2055. Then you would consider, on the whole, that the Post Office staff generally is as promising a body in the mass as any other for canvassers?—Yes.

2056. (*Chairman.*) If the telephone becomes a State monopoly, as seems likely, would this arrangement with regard to canvassers be abolished?—That is a question I could not answer now, as we are some distance from the time when it will be answered by those in authority. I should say, however, that if they do away with canvassing they will make a mistake.

2057. The telephones will be acquired by the State in 1912?—Yes.

2058. So there are only four years more?—Yes.

2059. You think that the results are sufficiently good to warrant the continuance of these canvassers, even though you have practically a monopoly?—Yes. At the present time I am sending canvassers round existing exchanges, some of them where competition exists and some where it does not, and in very few cases have those canvassers not succeeded in adding sufficiently

to the number of subscribers to justify the expense of those visits.

2060. I was thinking really of a case which I know something about, namely, railroad work. If there were no competition we should have no canvassers, and we should say to the public, "Take it or leave it." We should do, on the whole, as the French railways do. With regard to railroad canvassing, a man says, "If I "could get my wool down from London, and put it "into Huddersfield at 6 o'clock in the morning, and "you will promise me that you will have my traffic." The canvasser then goes to the goods manager and says, "Can you do this?" and in nine out of ten cases the goods manager says, "Yes, I think I can." I suppose you are not allowed, if a man wants a telephone in a particular position, to make any conditions except monopoly conditions?—I have met the case that you suggested just now again and again successfully. What you are telling me, in other words, is that a thing was possible, but it was not recognised until it was brought forcibly before the person who had control of the circumstances. In other words, to have the goods delivered at a certain place at a certain time was always possible, and the mere raising of the question does not make the possibility. It merely fills in the possibility. It is exactly the same with a canvasser. I have dealt with cases where the time limit seemed hopeless of attainment, but by taking the difficulties up interestedly the subscribers' conditions have been met, without incurring undue expense in doing so.

2061. That might prove to the Government that they can do something. Railways do it probably too much, but the point I want to bring to your mind is this: that the cost of doing it may be out of proportion to the advantage, and since the legislation of 1892 you are under the most strict obligation to give no facility to one man that you do not give to another. How do you get over that in the case of the Government canvasser?—We are under no such conditions. I might call upon a man who wants a certain service in a certain time. If I appealed first of all to the officer who was nearest to the subject, he would probably say it could not be done, but he makes that statement without thinking all round the subject. The man is not interested. He is engrossed with a hundred-and-one other things that, for the time being, have absorbed his attention.

Mr. W. Walker.

21 Jan. 1908.

2062. So that, on the whole, you think that even with monopoly, canvassing has a satisfactory trading effect where Government takes up trading?—In my opinion canvassing has a trading value, whether undertaken by the Government, railway companies, or private firms,

2063. You would have the same amount of canvassing with a monopoly company?—I do not say the same amount. I would have canvassing. That there may be ruinous competition with railway companies, I do not doubt. That is a subject I know something of.

2064. I do not say ruinous competition, but in that case I do not consider that exactly the normal canvassing. I should call that class of canvasser what they call in France a business agent rather than a canvasser. I think there is a difference between saying, "Will you give me your custom?" and "Can I make my machine suit you better?" We have only one word in English to express it, which is canvasser, but it seems to me that there is a distinction between the two, not perhaps a very patent one, but still a distinction?—Yes.

The witness withdrew.

Adjourned.

SEVENTH DAY.

Tuesday, 4th February 1908.

PRESENT:

LORD FARRER *(in the Chair)*.

F. J. BROWN, Esq.
H. DAVIES, Esq., I.S.O.
The Hon. R. D. DENMAN.
L. J. HEWBY, Esq.
W. E. TURPIN, Esq.
E. RAVEN, Esq., *Secretary*.

Mr. H. BABINGTON SMITH, C.B., C.S.I., called in and examined.

Mr. H. Babington Smith.

4 Feb. 1908.

2065. *(Chairman.)* You are, I believe, Secretary to the Post Office?—Yes.

2066–7. What is your view as to the general policy of the State as regards the provision of Life Insurance facilities?—As to the general question of policy, my view is that it is undesirable for the State to compete with private enterprise in any sphere where a public need is adequately supplied by private enterprise under competitive conditions. In such cases, it appears to me that the public is better served by private enterprise, and there is no sufficient reason for putting aside the serious objections which exist to large undertakings conducted by the State. In the first place the State, as a rule, competes at a disadvantage, that disadvantage arising in great part from the obligation under which the State lies to treat all persons alike. That means that a concern under State management necessarily has a certain want of flexibility. There is not the same opportunity for adapting the rules under which the business is conducted to the particular circumstances of each case; and also it means that the State is unable to pick and choose and take the remunerative business and leave the unremunerative business. Those, I think, are the two main reasons why State enterprise must always be at a disadvantage. But there is also the further reason that owing to the conditions of State employment persons employed by the State will, as a rule, be paid at a higher rate than the corresponding persons in a private enterprise and that, therefore, the State will conduct the business at a disadvantage as regards cost in that respect. The conditions of State employment also render the management of a large body of employees in many respects more difficult than when they are in private employment, and that difficulty appears to me to constitute a very strong reason against multiplying to any considerable extent the number of persons in the employment of the State. Those reasons of a general character appear to me to make it clear that it is undesirable for the State to compete with private enterprise over the whole field of life insurance.

2068. That is your general statement. I suppose that where you speak of competition you divide competition into two parts—which seems to be the modern theory—competition of facilities and competition of rates?—Yes.

2069. I was thinking of railways, of which I know a good deal, where rates are very largely stable, but the competition of facilities cannot be fixed?—Exactly.

Mr. H. Babington Smith.

4 Feb. 1908.

2070. Therefore, when one speaks of private enterprise being competitive, it always raises the question of where competition ends. I suppose that the most striking case is that of the telephone?—In the case of insurance I take it that there is very free competition both in facilities and in rates.

2071. And the question of where the Post Office should take up a monopoly, of course, is one for Parliament rather than one for a Departmental Committee, but I presume that it is one of those things that one cannot exactly fix. For instance, I suppose it is conceivable that all the insurance companies might form a ring?—That is conceivable. It is conceivable that circumstances might arise which might force the State to intervene by competing over the whole field of insurance. It is perfectly true that it is a matter for Parliament ultimately to decide, but it appears to me that the reference to the Committee makes it very difficult for them entirely to set aside the question of principle which really lies at the bottom of the question referred to them. To take another case, the supply of bread is the supply of a prime necessary of life, and it is a matter of great importance to the country generally that that should be supplied freely and at as low a price as possible, but I think it would be universally admitted that that is no reason why the State should start bakeries throughout the country and begin to compete with the baking trade.

2072. With the distributors?—With the producers or with the distributors.

2073. Yes, I quite see that. The main business when Post Office life assurance was started was to offer the absolute security of the State as against the insecurity of certain companies which had failed?—Yes, that I believe is so; and that, which was the main reason given by Mr. Gladstone for the creation of the Post Office system, has now to a great extent ceased to exist, because I take it in the case of the more important societies there is, speaking generally, no doubt as to their stability. The other reason was that sufficient facilities did not exist. That reason has to a great extent ceased to exist now, because the companies that offer insurances for small amounts have very much increased their activity and the sphere of their activity, and therefore I should doubt if there is any want of facilities for working men to insure. But in spite of those facilities, it appears to be the fact that at present working men do not largely insure for anything more than an amount sufficient to pay for their funeral. The present systems have not provided such facilities or provided them in such a way as to induce working men to insure for what I think have been called economical amounts.

2074. Then I see that you go on to say something on another point?—I have something to say on a point which I think is of interest to the Committee. In the Post Office service there are several societies which carry on a very large business of the nature of insurance. Take, for instance, the Post Office Insurance Society. That is a society which has two branches, the insurance branch and the gratuity branch. In the insurance branch the members are divided into three classes, receiving a varying amount on death. If I may take as an instance the third class, there the amount insured on death is 30*l.* The original idea of the societies was simply mutual benefit, that when a member died each other member would contribute a fixed sum, generally a penny, and that the sum so collected would go to his representatives. That system has gradually undergone a certain change. The obvious objections to it are that the amount of the benefit and the amount of the contribution are absolutely variable. You could not tell how many deaths there would be, and the amount of the benefit depended on the number of members. The tendency therefore has been to fix the benefit and to some extent to fix the weekly contribution, and although it has not gone the whole way it has gone some way towards being turned into a regular insurance system of the ordinary kind. With regard to the third class the benefit on death is 30*l.* and the average contribution at present is 2*d.* a week. That is the present position with regard to life insurance. Entrants must be under 40 years of age, but they may enter at any age up to 40, and for a contribution which at present amounts to 2*d.* a week they will get a benefit which at present is fixed at 30*l.* on death. Taking the Post Office tables, the corresponding weekly payment for a person entering at the age of 20 next birthday would be 2¼*d.* a week; at the age of 30, 3*d.*; and at the age of 40, 4*d.*

2075. I should like to ask with regard to that whether those funds are invested in Government securities?—At present there are no large accumulated funds, though the Reserve Funds, which have recently been started, are increasing. The system has been to pay the benefit on each occasion out of the contributions received on each occasion. The result of that obviously must be that at a later stage of the society's life either the benefit must be very much reduced or the contribution very much increased. In the insurance branch of the Post Office Insurance Society the membership last year was 8,700; in the gratuity branch, where the benefits are equally large in comparison with the contribution, the membership last year was 26,000. A somewhat similar society known ordinarily by the name of the Northampton Society had nearly 12,000 members in the gratuity branch, and over 20,000 members in the insurance branch.

2076. It is not a sick insurance, is it?—It is not a sick insurance. The insurance branch gives a sum payable on death. The gratuity branch gives a sum payable on death or on retirement from the service. There is no sick insurance, because in the Government service all established officers get full pay during sickness, so that there is no need for a sick branch. It is evident that these societies offer advantages which if they could be maintained permanently would be far greater than any which could be offered under a system of insurance, whether by the Government or by a company. The existence of these societies, therefore, on their present basis would undoubtedly constitute a serious obstacle to any large extension of Government insurance among those classes of the Post Office which belong to these societies.

2077. You say that it would seem that there is still a field not entirely covered by private enterprise, and that various suggestions have been made for improving the present system. Then you go on with regard to the maximum. Perhaps you would say what extension of the limit seems to be reasonable?—It appears to me that an extension to 500*l.*, which has been suggested, would be going rather far. I notice that in a table handed in by Mr. Batchelor, it is shown that in a large number of important insurance offices the average amount of the policies was less than 500*l.* As presumably some of their policies are for large amounts, that means, I take it, that considerably more than half of all the policies they issue are under 500*l.*, so that by extending the limit to 500*l.* the Post Office would be competing largely in a sphere which is at present occupied by existing companies.

2078. Then I suppose you do not take the view, which I think has been expressed to us by some of the witnesses, that if a person wishes to have the security of the State behind him there is no reason why he should not have it, if he pays the State for it?—It appears to me that the general objections to State enterprise make it undesirable to offer him that advantage if all reasonable needs are met in other ways.

2079. Should you see any objection to limiting the amount to 300*l.*—I do not say that particular figure—and allowing a man who has got up to that to transfer to Consols afterwards. It is merely a question whether he does it through you or through his broker as far as that goes. Is there an objection to that, in principle, do you think, except the general competitive one?—I do not quite understand the suggestion.

2080. Supposing he gets up to that limit and he wants to go on investing money with the Government?—But this is a question of insurance and not of investment, is it not?

2081. That is so—with regard to his getting a sum back at death. But supposing he said, "I have come to the Post Office" (we have had this in evidence). "When I get up to the limit I cannot put in any more," and that operates as an objection to his coming at all?—But there is no reason why he should not buy Consols through the Post Office in addition to his insurance, whatever the amount fixed for the insurance may be.

2082. That might possibly be a way out of it?—But surely the purchase of Consols does not meet the particular requirement which insurance meets. In taking out an insurance a man has two objects—the investment of money and also provision against unexpectedly early death. The first of those objects is equally met by investment in Consols, but the second is not.

2083. No, but supposing that at a certain age he finds he is better off than he was, he may wish to go on in the same way. It would be met perhaps by making it clear that he can buy Consols at the Post Office?—But is there any doubt about that?

2084. I do not think that the average man in the street knows it at all?—But the man in the street takes advantage of it to a great extent. The amount of Consols bought through the Post Office last year was over two millions. It was all in comparatively small sums, of course.

2085. Mr. Denman reminds me that the real point is whether he should be able to increase the value of his policy and not of his investment. It is the same thing as far as the man is concerned?—It does not seem to me that the limit, whatever limit you put, has any meaning if the amount insured can be increased beyond the limit by subsequent additions.

2086. That is so, of course?—It appears to me generally that 300*l.* would be a very reasonable limit to fix. That, I judge from the evidence which I have read, would meet practically all the working class demands for insurance. It is seldom, I take it, that an artisan or working man would wish to insure for a larger sum than 300*l.*, and I think that the fixing of that amount is supported by the fact that 300*l.* is the largest benefit that a man can receive under the Workmen's Compensation Act.

2087. It would be a convenient sum anyhow?—It would be a convenient sum.

2088. Now shall we go on to canvassing and commissions?—As regards canvassing in the first place by officers of the Post Office, it appears to me that the primary consideration is, whether it would interfere with their proper Post Office work. In the case of postmen, I am inclined to think that it would certainly interfere; that if a postman was encouraged or was instructed to canvas and was paid for it, there would be a strong tendency for him to neglect his proper work of delivering letters, in order to canvass while on his round. I should therefore deprecate any employment of postmen on canvassing. The same objection applies to some extent at any rate, possibly not to quite so great an extent, to some other classes of Post Office workers, for instance the counter staff. I doubt if it is desirable to encourage the counter staff instead of selling stamps or postal orders to customers, to enter into conversation on the subject of insurance. It appears to me that it might tend to interfere with business. On the other hand, as regards sub-postmasters who, in nearly all cases have a private business of their own and carry on Post Office business concurrently with their own private business, I see no reason why they should not canvass. In many cases they would not be very suitable canvassing agents—I mean in the case of the very small country sub-offices. But in the case of the rather larger shops which, in large villages or small towns very often have the sub-post offices, I think that very likely they would be able to obtain some business by canvassing, and I do not see anything in their relations with the public which makes it necessary to discourage them from canvassing.

2089. Then, I think you say that the commissions might possibly be raised for the higher amounts of insurance?—Yes. If the limit of insurance were raised, presumably there would be higher commissions for insurances of higher amounts, and that in itself would make it rather more worth while for a sub-postmaster to canvass. I am not quite sure whether the present scale of commissions is arranged in the best possible way. At present the commission advances very much less rapidly than the amount insured. On a contract not exceeding 10*l.* the commission is 1*s.*; on a contract not exceeding 100*l.* it is 4*s.*, that is to say, 10 contracts of 10*l.* are much more profitable to the canvasser than one contract of 100*l.*

2090. I forget at the moment who draws up that scale. That is purely internal, is it not? The Post Office could alter that, could they not?—Probably the concurrence of the Treasury would be required, but certainly no legislation.

2091. That is a matter that you can deal with?—It appears to me that it might be desirable to let the amount of commission advance rather more rapidly, so as to encourage our canvassers to persuade insurers to insure for the higher amounts.

2092. Then I see you say that, with regard to the rest of the Post Office staff, you see no reason for discouraging canvassing, but that it is necessary to take care that superior officers do not bring pressure to bear on those under their orders. That, I suppose, is a rather difficult matter?—That is rather a difficult matter. There was one case which I think Mr. Salisbury mentioned in his evidence in which an officer at Liverpool, in charge of telegraph messengers, brought considerable pressure on the telegraph messengers to insure. That, I think, is clearly undesirable. The parents, not unnaturally I think, in some cases protested rather vigorously against that.

2093. The inducement, you think, should be a reasonable commission, coupled with no obstacle on the part of the higher people in the service?—Yes, that seems to me to be the reasonable line to draw.

2094. Are the young ladies in the telephone office part of the Post Office staff now, or some of them?—Yes.

2095. I presume that you would not look with pleasure on canvassing through the telephone?—No. I think that that is a case where canvassing would interfere with the efficiency of the service.

2096. You remark on outside canvassing. You think that that would raise the premium necessary to be paid?—Clearly, if we paid for it on the scale that some of the companies pay for it, it would necessarily raise the level of the premiums, and as we cannot earn so high a rate of interest on our investments as the companies, it would mean that we could not offer such favourable terms as they.

2097. It would really turn you, from the point of view you have mentioned, into a commercial competitor?—Yes.

2098. I presume that the telephone was rather a special case and not quite analogous?—The telephone, I think, was a special case. In the first place Parliament laid down the policy of competition with the National Telephone Company and, if that policy was to be carried out, canvassing was obviously indispensable. But also in that case I think, if the business is to be undertaken by the State at all, the efficiency and success of the business depend to a great extent on getting a large number of subscribers. To take an extreme case, it is obvious that it is of no use starting a telephone exchange to accommodate one subscriber because he has nobody else to communicate with. The more persons you can get for him to communicate with, the greater the public utility of the service. Therefore if the State takes up telephones at all it appears to me that canvassing to a sufficient extent to develop the service is one of the essentials.

2099. I do not think you have had canvassing with regard to your parcel post service?—No, we have not.

2100. So that it has not been the policy. The telephone is rather an exceptional case?—The telephone, I think, is an exceptional case. It was a new service, and a service of which, at any rate in its earlier stages, the public in general had not realised the utility.

2101. I thought you said just now that it was partly because Parliament had said that you were to compete with the National Telephone?—Yes.

2102. That would put it on rather a different footing if it is competitive. There is what the French call the *agent commercial*?—Yes; that would put it on a different footing, but apart from the question of competition it appears to me that a certain amount of canvassing is almost an essential part of any efficient telephone system.

Mr. H. Babington Smith.

4 Feb. 1908.

2103. Yes. Then it is merely a question of policy rather than of principle. I presume that you do not have canvassers for the Post Office to induce people to send letters?—No; nor speaking generally for the Savings Bank. That is an instance of an enormous business which has grown up because it supplied a need that was almost universally felt and which did not require any canvassing to push it. In the case of the telephone the reason perhaps is that the man who has not got a telephone does not realise what advantage it would be to him without having it put before him in the direct way in which a canvasser can put it before him. It is a less obvious advantage than the advantage of being able to post a letter or being able to entrust your savings to the Government.

2104. Have you had any demands from the telegraph branch that it should be allowed canvassers to compete with the telephone?—No; I have never seen any suggestion that we should canvass for telegraph business. In the telegraph business the only point at which canvassing comes in is in cases where the cable companies canvass for business because there are competitive routes.

2105. Yes, but the putting up of a telegraph wire is of so little profit to you, I suppose, that it is hardly worth going to a village and saying, "Look here, if you "have the telegraph it will be such and such an "advantage to you." That is done in Switzerland?—The telegraph being already extended to all places where there is at all likely to be a paying business, it is as a rule the other way about. The village comes to us and asks us to extend the advantage, and we say, "We will extend it if you will guarantee a portion of "the expenses in case it does not pay."

2106. Then, on the whole, you say that in this particular case of insurance you think that it would be undesirable for the Post Office to employ canvassers. That is what it comes to?—I think it would be undesirable to employ outside canvassers, but I think it would be desirable, at any rate in the ways I have suggested, to encourage canvassing to a certain extent on the part of persons in the Post Office service, the general reason in favour of some extension of canvassing being that if the Post Office system is to exist at all and to be a public benefit it is desirable that it should exist in a state of reasonable activity and not in a state of semi-animation.

2107. Now with regard to the collection of premiums, what do you say?—The suggestion generally made is that premiums could be collected by the postman, but there again I think there is a strong objection to that on the ground that it would interfere with the postman's ordinary duty. I see no objection to facilitating the laying by of premiums at short intervals by means of slips on which stamps could be placed, the whole sum being paid in when the amount is complete.

2108. With regard to postmen's duties I would like to ask you, because I do not know. Have you ever endeavoured to establish a system of collecting cash on delivery for consigners of parcels?—Not up to the present. We made proposals for instituting such a system, but the opposition of retail shopkeepers was too strong. We are at present in negotiation for establishing such a system with some of the Colonies who are prepared to accept it and that, I hope, will be in force before very long.

2109. Will not that interfere much more with postmen's duties than anything else would. At any rate my experience with regard to getting money out of people would seem to point that way?—It will probably interfere to some extent with the rapidity of the postman's rounds, but the system will be that the postman will not leave the parcel unless the money is forthcoming, so that he will not have to stop and dun the recipient for the money.

2110. Is that the case with overweight letters now?—Yes. The letter is not left unless the charge is paid.

2111. But in practice that is not always adhered to?—How far it is adhered to in practice I do not know, but if it is left without payment it is at the postman's personal risk. If he has left the letter he is responsible for the charge.

2112. Probably you could not tell how much delay there would be unless you tried; but there is no doubt it would delay the ordinary duty of the postman as you think?—I think it must to some extent. It appears to me that the primary object of the Post Office being the delivery of letters, and that being the business that on the whole we do best, it is rather important not to take any steps that are likely to interfere with the efficiency of that.

2113. I think that all your parcel business is prepaid now in England, is it not?—Yes, it is all prepaid.

2114. With regard to the question of competition, I think you allow a parcel to contain a letter?—A letter I think, but not letters.

2115. You have mentioned the system of stamp slips?—They are used to a considerable extent for Savings Bank deposits.

2116. Is the postman allowed to collect them, or do depositors have to bring them to the Post Office?—They have to bring them to the Post Office.

2117. What have you to say on the subject of the investment of the funds?—With regard to the suggestion to extend the field of investment beyond Government securities, although that is a matter for the Treasury rather than for the Post Office, I think there would be strong objection from the point of view of national finance. Clearly one of the advantages to the Government of having a Post Office Savings Bank, or a Post Office system of insurance or annuities, is that it means the investment of a considerable sum of money in a manner which is convenient and profitable to the Government by tending to raise the market value of Government securities. From that point of view the Government would probably be slow to give up that advantage, and to extend the field of investment to a wider sphere.

2118. That is the reason why it is undesirable to extend beyond Parliamentary securities?—That is one reason, and the other reason, I think, is that if the Government gives full Government security to the persons that insure it is not desirable that the money should be invested on any less perfect security.

2119. The taxpayer should be the ultimate security, on the principle which you have laid down as to the field that this ought to cover, is what I rather gather to be your meaning?—Yes.

2120. If a man wants to invest it is to be on Government security and not on anything else?—The investor and the insurer is given absolute Government security—the security of the taxpayer. If the money paid in premiums was invested in something less secure that would be placing a certain risk upon the taxpayer.

2121. And if the investor wants that he can go to a respectable company?—Yes, he can go to a respectable company.

2122. You say here that loans within surrender values should be given as offering the best possible security and higher interest than other investments. Would you explain that to me. Do you mean loans by the Treasury. I do not quite follow that?—I see no reason why the Government should not lend money to insurers within the surrender values of their policies.

2123. This is a question of whether the surrender value might be given. At present you have no surrender value, have you?—Yes. At present there is a surrender value, but there is no system of lending money to insurers on the security of the surrender value.

2124. You see no objection to that?—I see no objection to that, and I see considerable advantages in the suggestion. It would enable money to be invested on as good security—on perfect Government security—and at the same time it would enable a higher rate of interest to be earned because the rate of interest would be fixed by what the borrower is prepared to pay rather than by the low rate which is fixed in respect of Government security.

2125. A further point which I have been considering is this, and I would like your opinion upon it: do you see any objection to utilising such a surrender value

at a certain age of life for an annuity if a man wished to change. It seems to me that there might be many cases of a man coming at the age of 70 and saying, "This is all I have got." He can get a surrender value and he can buy an annuity, I suppose. He wants to get a dole or a pension instead of his death allowance. It seems to me that it would be a great attraction to many people of the working class?—That can be done indirectly by a double transaction under the present system. I see no reason why it should not be facilitated and done in a single transaction.

2126. That, I presume, would not need fresh powers?—I should think not.

2127. What rate of interest do you think should be charged for the loans?—I think that the rate of interest should be such as to pay for the cost of administration and leave 4 per cent. net. That is not based on any actuarial calculation or on any precise information. It appears to me to be a reasonable figure for a person who needed a loan to pay for it. It would, no doubt, be necessary to see what is the rate of interest usually charged by companies for an advance to persons who are insured with them.

2128. (*Mr. Turpin.*) Some charge 4 and some 5 per cent.; 5 is the usual figure.—Yes.

2129. (*Chairman.*) With regard to the question of the surrender value being used to keep policies alive, that is another suggestion which you have no objection to?—That is a suggestion which appears to me to be very advantageous.

2130. Do you think outside advertisement undesirable?—I am inclined to think that on the same general principles as those we discussed in the case of canvassing it is undesirable for the Government to enter upon large expenditure for the purpose of advertising the system, but at the same time I doubt if we use as fully as we might the resources for advertising that the Post Office itself offers. I think we might take more trouble about making the notices in Post Offices conspicuous and attractive and permanent. Mr. Lang mentioned in his evidence that notices are put up and after a few days they disappear. It would be easy to take steps to secure that they should not disappear. Then again there are various forms in which Post Office facilities might be advertised. For instance, there are little books of stamps which are sold now in considerable numbers. There are interleaves between the stamps. It has been suggested that the Post Office should use those for advertisement purposes by offering them to the public at a price. It appears to me that it would be very much better instead of realising an insignificant sum by selling that advertisement space to use it for pushing any branches of our own business that needed advertisement.

2131. Is there a Post Office editor?—Yes, we have lately started an editor.

2132. A sort of advertisement manager and editor, I suppose?—His functions have mainly been concerned up to the present with the "Post Office Guide" and the "Post Office Circular," and forms and other publications of that kind.

2133. Everybody knows that the "Post Office Guide" has been enormously improved?—The "Post Office Guide" was, I think, enormously improved a short time ago.

2134. Publicity is a very difficult thing to get?—Yes.

2135. Would there be much competition. Could insurance be given reasonable publicity to?—I think there would be no difficulty in giving reasonable publicity.

2136. Do you think that the forms can be simplified and made more attractive?—I quite agree with what several witnesses have said that the present forms are unnecessarily cumbrous and frightening to the ordinary man and that they might be very much simplified, and that the form stating the advantages of the Post Office system and what it does might be made more simple and attractive.

2137. I presume there would be no objection raised by other departments to that. Has the Treasury or National Debt Office anything to say upon any form which you issue with regard to money?—I do not think they intervene with regard to a form such as this.

2138. The tables must be settled jointly, I presume?—I take it that the National Debt Commission and the Treasury might wish to be assured of the accuracy of the figures, but I do not suppose they would wish to intervene with regard to the particular form.

2139. The style?—The style of the English or the particular form in which the advantages are stated.

2140. Is there anything you wish to add generally?—I might add that various suggestions have been made for increasing the variety of different schemes of insurance that are offered, offering a greater variety of endowment insurances and so forth. I think that if there is any indication that there is likely to be a large demand for a particular scheme it would be desirable to offer it, but I think that the question of simplicity should also be kept in view, and that it is undesirable at any rate to put forward in the papers which we circulate too great a variety of schemes. It tends rather to confuse the mind of the insurer who is not familiar with the different systems.

2141. There is one rather important point on that, and that is the question of whether you think the reduction of the minimum age limit from eight to five years, which has been rather pressed upon us by certain witnesses, would need legislative sanction. Apparently it would?—That, I understand, would need legislative sanction. As to its expediency I do not know that I am in a position to form an opinion.

2142. No; that is rather a matter for the experts?—Yes. There is one other point I should like to mention and that is with regard to rates of premium. It appears to me that at present our premiums for insurance of small amounts are very low compared with what is offered in the outside market and our premiums for the insurance of larger amounts are, if anything, rather above the level of the market. That I understand arises mainly from the particular system on which the loading is distributed. It appears to me that it would be very desirable to re-distribute the loading, if the experts think it can properly be done, in such a manner as to bring our premiums for very small amounts somewhat nearer to the market rate, and to bring our premiums for the larger amounts if it can be done somewhat below the market rate. If the general result arrived at by a re-distribution of that kind were much the same as at present it seems to me that the re-distribution would be advantageous.

2143. I have forgotten why the loading is made in that particular way. What you want is a more businesslike form of loading, if possible?—Yes, a form of loading which, instead of making our premiums at certain points of the scale very much below what the companies offer and at other points of the scale rather above it, would make them at all points of the scale below.

2144. Would you make each policy as nearly self-supporting as possible?—It does not seem to me so important to look at the question of whether each policy will be self-supporting as to adjust the loading rather with reference to what is the practice of the companies as shown in the general level of the premiums.

2145. Do you mean for the sake of attractiveness. I should have thought that if it is a purely business concern you would wish each policy to pay on its own merits?—In theory it is clearly desirable that each policy should pay on its own merits. I do not know enough about the details of the subject to say what the effect of the re-distribution of the loading on that principle would be, but if it can be reconciled sufficiently with theory it appears to me very desirable that there should not be that great inequality in our rates of premium as compared with the companies, namely, that they should be much below the companies at one point of the scale and rather above at another.

2146. Do you see any objection to the extension of the limit of insurance without medical examination to 50*l.*?—No, I see no objection to that, and on a somewhat similar point it appears to me that it would be very desirable to do away with the restriction as

Mr. H. Babington Smith.

4 Feb. 1908.

regards residence. It is apparently a matter of very small importance in our system, and if any restriction can be conveniently done away with, it appears to me is an advantage to do away with it.

2147. There are various questions which have been raised which are rather more controversial, and dealing with changes which require Parliamentary sanction. One is the question of the provision of "with-profits tables." I do not know whether that has been put before you at all?—On that point it appears to me that from the limits of our investments we could not expect, except by charging considerably higher premiums, to have very substantial profits to distribute; and I see objection to having with-profits policies on which the bonus distributions would be much smaller than the bonus distributions on the with-profits policies of companies.

2148. You would rather in fact distribute the surplus by means of lowering the premium?—I should be rather inclined to make all our policies in effect with-profit policies, that is to say, to distribute any surplus from time to time either in the form of reduced premiums or in the form of bonus on the amount insured, and to announce that as an advantage, but not to have two classes of policies, one of them with-profit policies, and the other non-profit policies, because in that case it seems to me that the with-profit policies would be compared with the companies' with-profit policies, and probably the result would not be so favourable.

2149. In principle, you think that any advantage that is got to the Post Office fund should go after payment of expenses to those who are contributing to it. I am trying to put it in the most general way I can?—Yes.

2150. I am speaking of a very technical subject, but as far as I can understand from the evidence, the only legal way of doing it at present is by the reduction of premium?—Yes. The reduction of premium must apply to the whole of the tables, I understand, and not to individual insurers.

2151. Yes?—It seems to me the most inconvenient way of applying surpluses and also in many respects the least equitable.

2152. That is so in theory, but have you thought of any scheme, considering the Government nature of this enterprise, upon which you could apply those profits?—I do not see why those profits should not be applied in very much the same way as the companies apply them, namely, by giving to each insurer a bonus proportionate in some way to the length of time for which his insurance has been in force, which bonus he may apply, at his choice, either by increasing the sum insured, or by reducing for the future the premiums which he individually pays.

2153. That is what you would practically call a with-profits system?—It is practically a with-profits system.

2154. That as you know would need legislation?—Yes, it would need legislation of course.

2155. I leave others to ask about that. With regard to the abandonment of contracts by way of mortgage, that is a thing I suppose that has hardly ever been contemplated by the Government?—That is a point I have not examined, and I should not like to express an opinion upon it.

2156. You have seen the question with regard to how far the life insurance fund and the deferred annuity fund are kept separate and are not kept separate. Do you think that on the whole it would be desirable to keep those separate?—I think it would be desirable to keep them separate.

2157. Is there anything else you wish to say?—No, I think not, thank you.

2158. (*Mr. Hewby.*) With regard to the payment of commissions to Post Office servants for canvassing, in the case of whole time servants do you contemplate that commissions should be earned during the official hours?—I think not. I think that any canvassing work that took any time ought to be done outside official hours. I do not know whether an absolute prohibition would be desirable. It would hardly be necessary absolutely to prohibit a counter officer, if there was a suitable opportunity; from saying to a customer, "Have you seen the Post Office terms of insurance?" and to say that he must not do that until he was off duty; but any canvassing that would take up a substantial amount of time ought not to be done during official hours.

2159. Would you fix any limit to the total amount that might be earned in commissions by a given individual?—No, I think not.

2160. There might be awkward questions, might there not, amongst the staff between themselves if one earned a large sum in commissions, and another owing to being engaged on different duties had not the same opportunities?—There might be some inequality, but they would all have equal opportunities out of official hours. I should hardly think there would be any serious difficulty arising from that cause. There might be difficulties of the kind which I mentioned, of the use by superior officers of the opportunities which their superior position gave. That, in fact, is the main difficulty which I see with regard to encouraging canvassing in the service, but I am inclined to think that that might be sufficiently met by a strong warning to all superior officers, that they were not to use their official position to bring any pressure to bear.

2161. (*Mr. Davies.*) One question with regard to the limit of 300*l.* That seems to you high enough. Would you not be inclined to think that if the Government abstains from active competition, and from employing outside canvassers, abstains indeed from all the ordinary methods of the insurance companies, it ought to be granted a wide enough range to run the chance of making a fair profit out of the business which is *offered* to it?—Yes, I think so, but that raises the question of whether with the limit of 300*l.* they would not be in a position to make a fair profit

2162. I was taking it from what you said that you went for the limit of 300*l.* rather because you had got an analogy from the Workmen's Compensation Act, that you were restricting the field of this insurance to the working classes?—Yes, that was rather my idea.

2163. Has it ever struck you that there are a good many people whom you would not describe precisely as of the working-class—small professional people, small tradespeople, people living in quiet country places who want an insurance up to 500*l.*, but who know nothing of insurance business, and are only clear that they want Government security. Does it seem to you quite right that the Government should have to refuse those timid people by keeping its limit down to 300*l.*?—In the vast majority of such cases the would-be insurer would have no difficulty in having his needs met by a company; and I doubt if the advantages of providing for the cases, which I should imagine to be few, in which Government security was regarded as essential, would counterbalance the disadvantages which I see in a large general extension of Government activity.

2164. You do not think that the Government has any duty to the population at large who want Government security for a larger amount than 300*l.*?—I do not see that it has a duty any more than it has a duty to provide Government security for fire insurance or any other kind of insurance, or to provide facilities for any other purpose. It appears to me to be a question of expediency rather than a question of duty.

2165. (*Chairman.*) In Switzerland there is compulsory fire insurance. I suppose that is because the State found it necessary?—I suppose so. I did not know there was compulsory fire insurance in Switzerland. Does the State insure?

2166. You must insure, and I am told you must insure with the State?—I did not know that.

2167. (*Mr. Davies.*) As to what was said about profits, I understand your idea would be that the Post Office system should not be described as a with-profits or without-profits system, but that it should be made clear to insurants that they would get the benefit of any surplus?—Yes.

2168. (*Mr. Brown.*) Would you say that the particular niche which the Post Office system might fill in the insurance world would be partly defined by the consideration that the industrial insurance companies in their

industrial business find it absolutely necessary to accept premiums in very small instalments; that in practice they call for those instalments at the doors of their customers, which of course is a very expensive system, but that the Post Office with its ubiquitous organisation could accept those premiums at a multitude of points to which the insurer could bring the premium without inconvenience to himself and without being put to the cost which the present industrial practice entails?—Yes; I think I should assent to that generally, but I should add that the primary justification for the Post Office system appears to me to be that the existing companies do not as a matter of fact succeed in inducing the working-classes to insure for more than a comparatively insignificant amount intended mainly to pay their funeral expenses. If by offering facilities of the kind which you have described the Post Office could secure business of that nature, it would be doing a very useful work.

2169. With regard to the payment of commissions, would you see any objection to the extension of the system to other Government employees than those in the Post Office service, so as to tap the employees of the Customs or the Metropolitan Police, and so on?—I should be inclined to try the effect of confining it to Post Office servants first. The essential difference appears to me to be that in the case of Post Office servants we have control over what they do and what they say. In the case of agents who are not in the employment of the Postmaster-General we have no such control.

2170. The same, I suppose, would apply to the payment of commissions to officers of friendly societies for bringing in their members and still more to the payment of commissions to persons already insured by the Post Office for bringing in new business?—It would apply in the latter case. In the former case it appears to me that it might be desirable to facilitate arrangements by which friendly or benefit societies insured with us *en bloc*. Whether it is desirable to pay commissions to secretaries or officers of such societies for bringing in individuals appears to me doubtful.

2171. Would you see any objection to a modification of the system generally which would admit of its being worked so far as its central organisation is concerned through the Savings Bank as at present, but which would obviate the necessity for every new insurer taking out a Savings Bank book?—I am doubtful whether that constitutes any drawback to the Post Office system. If there was any reason to suppose that any person intending to insure was deterred by the fact that he would have to open a Savings Bank account it might be worth while to consider whether to modify that rule, but I am not aware that any witness has brought forward anything to show that it does act as a deterrent.

2172. The industrial companies give an immediate benefit to the extent of a quarter of the amount insured on payment of the first instalment of the premium—possibly even a weekly instalment—whilst in the case of the Post Office no benefit is given until the whole of the first annual premium has been paid. Would you see any objection to a modification of the tables so as to insure a certain benefit being given after an instalment of the premium, say a fourth, has been paid?—I suppose that such a modification would mean slightly higher premiums?

2173. Yes?—And it appears to me a question between the attractiveness of low premiums and the attractiveness of favourable terms of payment at the beginning.

2174. We have had it in evidence, I think, that the class to whom we should expect to appeal with most success may often find it hard to lay down a full year's premium whilst they could lay down a quarter of that amount and proceed to pay their premiums in instalments afterwards?—It would be a point to consider if new tables were being prepared, but I should hardly like to express an opinion on it without knowing what the exact amount of the increase of premium involved would be.

2175. (*Mr. Denman.*) With regard to canvassing, you suggested that there should be no alteration in the present regulations?—In effect, yes, but as there appears to be a general impression that canvassing is discouraged, I would take steps to remove that impression especially as regards sub-postmasters; in fact I would take steps to bring prominently to the notice of sub-postmasters the fact that they are not only permitted to canvass, but that it is desirable they should do so if they are inclined, and that they will receive such and such rates of commission.

2176. They already know that, because they are entitled to act for the Post Office for life insurance, they may not act for anyone else?—Yes.

2177. You think that more active encouragement, in conjunction perhaps with some higher commission, would produce fresh interest in the subject?—I think that it might; at any rate I should like to try it.

2178. Ordinary companies are not, I believe, very particular as to the source from which they obtain their business. Do you think there is a serious risk of involving the Post Office in difficulties if anyone on approval be appointed an agent for Post Office business; merely receiving whatever rate of commission was allowed to officers in the Post Office. The kind of persons who might be encouraged to promote our insurance schemes actively are bodies like the Charity Organisation Society, who might be quite willing to get a commission for the purposes of their society in return for the work which they do?—In my view it is not so much a question of difficulties in which we might be involved, although that enters in to some extent, as a question of whether it is the proper function of a Government Department to push business by means of a general systematic system of canvassing. I admit that the ethics of the question are difficult, and I do not altogether agree with the view which some of the witnesses have put forward that it is a matter of dignity. I do not see that the question of dignity comes in very much. I think it is rather a question of whether, having regard to the relations of the Government with the public and also with other insurance agencies, it is part of their proper function to push the business by means of systematic canvassing, whether it is not rather the proper attitude for them to take to provide facilities in the best form possible and to take adequate steps for bringing those to the knowledge of the public, but not to take steps on a large and systematic scale for forcing the public into the system. I find it somewhat difficult to state in black and white the precise reasons which make that attitude the proper one:—perhaps because the reasons are partly of a rather indefinite character involving the whole attitude of the Government towards outside agencies and the public than precise reasons which can be stated in a logical form. But that on the whole appears to me to be the reasonable line to draw.

2179. No doubt you would feel that much less strongly in proportion as it was clear that the Government system in no way entered into competition with existing schemes and practically held up an ideal form of insurance to the working classes whereby they could really get the fullest advantages from it as a form of thrift?—Yes. To go back for a moment to the case of the Charity Organisation Society which you mentioned, in that particular instance I should see no objection to letting them put forward the advantages of the system and to paying them commissions, but I do not know that we could do that without establishing a general system which in other points might be open to objection.

2180. (*Chairman.*) I presume you have thought of this point with regard to that—that it is well known that many of these organisations could easily get hold of somebody who is a Post Office servant. It is obvious that that is done in business everywhere?—Yes.

2181. Every canvasser will tell you that, if he tells you the truth. That is a method of getting round any difficulty like that?—Yes.

2182. (*Mr. Denman.*) At present the Post Office accepts insurances down to 5*l*. It is clear that an insurance of 5*l*. is not a valuable form of thrift; it is a particular branch of insurance, namely, insurance against burial money, and it is far more effectively performed by the industrial companies. Do you think it is advisable that the State should undertake business of that class, which is clearly of no real economical

Mr. H. Babington Smith.

4 Feb. 1908.

value to the insurant?—When the system was first introduced the lower limit was 20*l.*, and it was reduced to 5*l.* in the year 1882. The limit having been reduced it appears to me that it would be hardly desirable to raise it again. The circumstances of different cases are very various, and in some cases an insurance for 5*l.* may be a valuable and desirable thing.

2183. You would probably agree that it is undesirable that the policies of higher value should be charged higher premiums to pay for the unduly low premiums on policies of a lower value?—That, I think, is the point that I was making in reference to loading—that in a revision of the tables it would be desirable to reduce the premiums for the higher values and rather increase those for the very low values. That is your point, is it not?

2184. Yes. Do you think that a limit at the top scale is essential for persons who already have taken out policies for lower amounts?—If you have no limit for those who have already taken out policies for lower amounts the limit, it seems to me, would become valueless. If you want to take out an insurance for 10,000*l.* you have only to take out one for 50*l.* first and then extend it.

2185. By increments not exceeding certain amounts in any year?—You propose to retain a limit for the additions?

2186. Yes. It is the experience of companies that when people are once bitten with the microbe of insurance the disease gradually grows upon them. I suspect it of being a considerable discouragement to people starting with the Post Office to know that they must some day come to a stop. They like going on with the same institution, and it seems to me that the disadvantages which have been mentioned with regard to having a higher limit than 300*l.* would hardly apply in cases of people who have already insured?—They apply much less strongly to a system under which a man who had insured to start with, within a limit of 300*l.* say, is entitled to extend by annual additions of limited and moderate amount. But from the practical point of view of legislation being required, I expect that any such extension would make it much more difficult to obtain.

2187. A method of that kind would also prevent the difficulty of a policy running up against the limit by reason of the bonus?—I think clearly the bonus would have to be allowed to run beyond the limit, whatever the limit was, if bonus was introduced.

2188. On quite a small point, and that is the condition with regard to residence, you would not desire the Post Office to give much more latitude than is found expedient by companies, I take it?—Yes, I would. In the case of persons insuring with the Post Office for sums strictly limited in amount, it appears to me improbable that a sufficient number of them would go and reside in the tropics to produce any material effect on the system or on the general level of premiums, and therefore I would simplify the system by removing the restriction altogether.

The witness withdrew.

Adjourned.

INDEX TO EVIDENCE.

ADVERTISEMENT OF POST OFFICE INSURANCE SYSTEM.

Batchelor, 349–57. Lang, 1029–39. Salisbury, 1478. Brabrook, 1832–5. Walker, 2035–6. Babington Smith, 2130–5.

AGE LIMIT.

Batchelor, 465–71. Lang, 1008–12, 1087–94. Hunter, 1284. Salisbury, 1552. Stuart Sim, 1692–8. Babington Smith, 2141–2.

ANNUITIES DEFERRED. *See under* Deferred Annuity Fund.

ASSIGNMENT OF CONTRACTS BY WAY OF MORTGAGE.

Hunter, 1284, 1310–2.

BURIAL MONEY.

Salisbury, 1453–5, 1568–70. Stuart Sim, 1702–7, 1728–30, 1751–7. Brabrook, 1806–14, 1898–9. Edser, 1934–56. Babington Smith, 2182–3.

CANVASSERS, Employment of.

Batchelor, 67, 94–8, 112–4, 159–70. Lang, 1040–74. Hunter, 1284, 1313–5. Salisbury, 1418, 1479. Brabrook, 1801–3. Walker, 2001–64. Babington Smith, 2096–107, 2178–81.

CANVASSING BY POST OFFICE SERVANTS.

Batchelor, 168–70. Lang, 1040–50. Hunter, 1326–7. Salisbury, 1418–40, 1456–79, 1555–61. Walker, 2047–55. Babington Smith, 2088–95, 2158–60, 2175–7.

COLLECTION OF PREMIUMS from house to house.

Salisbury, 1562. Stuart Sim, 1714–7. Brabrook, 1801–3, 1850–8, 1867–70. Edser, 1995. Walker, 2041–6. Babington Smith, 2107–16, 2168.

COMMISSION.

Amount and method of payment: Batchelor, 100–2, 125–6, 149–58. Salisbury, 1480–90. Walker, 2027–30. Babington Smith, 2089–91.

Question of payment to persons not in the employment of the Post Office: Batchelor, 67–194. Lang, 1075–7, 1105–12. Hunter, 1313–5, 1403–5. Salisbury, 1485–6. Stuart Sim, 1790–1. Brabrook, 1832–3. Babington Smith, 2169–70.

COMMITTEE OF 1882 ON POST OFFICE INSURANCE.

Batchelor, 95–9, 112, 159–63, 362. Salisbury, 1470–2, 1492–1504.

COMMITTEE OF 1893 ON POST OFFICE INSURANCE.

Batchelor, 95–6, 112–4, 161–3, 440. Hervey, 629, 675–6. Salisbury, 1470–3, 1492–1504.

COMPETITION OF POST OFFICE WITH FRIENDLY SOCIETIES.

Stuart Sim, 1635, 1680, 1757. Brabrook, 1873–81.

COMPETITION OF POST OFFICE WITH INSURANCE COMPANIES.

Batchelor, 292–302. Lang, 1078–86. Hunter, 1406–7. Babington Smith, 2066–73, 2077–8, 2178–9.

CONSOLS, Advantages and disadvantages of, for investment purposes.

Hervey, 537–45, 673–97, 756–78.

DEFERRED ANNUITY FUND.

Hervey, 596–603, 645–62, 705–11, 791–6. Blakey, 1219–66. *See also under* Insurance Fund.

EARLIER BENEFITS, Question of granting, by Post Office.

Batchelor, 321–7. Blakey, 1189–95, 1208–18. Salisbury, 1543–6, 1575–83, 1617. Babington Smith, 2172–4.

ENDOWMENT INSURANCES, Extension of.

Batchelor, 382–401, 468–74. Lang, 989–93, 1092–4, Blakey, 1204–7. Babington Smith, 2140.

EXPENSES OF MANAGEMENT.

Batchelor, 116, 137–42, 173–81, 190–4, 328–34, 380–1, 450–2. Hervey, 668–72. *See also under* Loading.

FEES FOR MEDICAL EXAMINATION.

Batchelor, 463–5. Hunter, 1284. Salisbury, 1612–3.

FRIENDLY SOCIETIES. *See* the whole of the evidence of Mr. Stuart Sim, 1624–799, Sir E. Brabrook, 1800–905, and Mr. G. Edser, 1906–2000.

Co-operation with Post Office as regards Life Insurance: Batchelor, 303–16. Hervey, 755. Hunter, 1284, 1313–22, 1403–5. Salisbury, 1518–41, 1547–51, 1571–5. Stuart Sim, 1636–9, 1650–70, 1718–27, 1767–9, 1789–97. Brabrook, 1844–50, 1885–93. Edser, 1974–87.

Difficulties experienced in connection with insurance: Salisbury, 1520–36, 1571, 1585–96. Stuart Sim, 1770–88.

Suggested preparation of standard rules as to insurance of lives of members: Salisbury, 1523–35, 1618–9. Stuart Sim, 1770–88.

GOVERNMENT SECURITY, desire for.

Batchelor, 270, 281–3. Hervey, 586. Blakey, 861–3. Salisbury, 1442–5, 1491, 1597–1603. Stuart Sim, 1681–7. Brabrook, 1836–43.

IMMEDIATE PAYMENT ON DEATH TO NOMINEE.

Batchelor, 225–34. Lang, 1017–9. Hunter, 1284, 1334–6.

INDUSTRIAL INSURANCE.

Batchelor, 236–57, 287, 303, 317–27. Salisbury, 1513–7. Brabrook, 1806–19, 1836–43. *See also* Friendly Societies.

Definition of: Batchelor, 108–9, 115. Brabrook, 1819.

INDUSTRIAL INSURANCE COMPANIES.

Batchelor, 109–10, 115–9, 461–2, 507–16. Stuart Sim, 1632, 1703–7, 1733–49. Brabrook, 1822–6.

INSURANCE WITHOUT MEDICAL EXAMINATION.

Batchelor, 195, 453. Lang, 1002–7, 1095–6. Blakey, 1196–1203. Hunter, 1284. Salisbury, 1541–6. Babington Smith, 2146.

INSURANCE ON LIFE OF ONE PERSON GRANTED TO ANOTHER.

Hunter, 1284, 1316–22. Stuart Sim, 1655–70, 1733–49, 1789. Brabrook, 1803, 1883.

INSURANCE FUND.

Investment of Fund: Batchelor, 413–20, 440–52, Hervey, 532–58, 628–44, 673–704, 756–83. Lang, 1020–8. Hunter, 1284. Babington Smith, 2117–21.

Surpluses on Fund, Question of disposal of: Batchelor, 421–8, 440–9. Hervey, 550–8, 611–7, 645–64, 730–8, 788–90. Blakey, 829–34, 914–39, 1132–57, 1242–7. Hunter, 1284, 1301–9, 1340–61, 1394–1402. Brabrook, 1900–5. Babington Smith, 2147–55, 2167.

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INSURANCE FUND—*continued.*

Separation from Deferred Annuity Fund: Hervey, 645–62, 791–6. Blakey, 809–10, 829–34, 930–9, 1231–66. Hunter, 1337–57. Babington Smith, 2156.

Valuation of Fund. *See under* Valuation.

LAPSE OF POLICIES, Danger of. *See under* Policies.

LOADING OF PREMIUMS.

Batchelor, 174–9. Hervey, 571–7, 751–3, 797–9. Blakey, 865–93, 1167–85. Salisbury, 1605–7. Babington Smith, 2142–5, 2182–3. *See also under* Expenses of Management.

LOANS ON POLICIES.

Batchelor, 476–527. Blakey, 1161–6. Hunter, 1323–5, 1331–3. Babington Smith, 2122–8.

MAXIMUM LIMIT, Question of raising.

Batchelor, 362–81. Hervey, 563–5, 618–24, 741–4. Blakey, 853–63. Lang, 984–7, 1099, 1113–20. Hunter, 1284, 1332–73. Salisbury, 1504–12, 1597–1611. Brabrook, 1820–1, 1898. Babington Smith, 2077–87, 2161–64, 2184–7.

MEDICAL EXAMINATION. *See under* Fees *and* Insurance.

MORTALITY TABLES.

Blakey, 919–29.

MORTGAGE ON CONTRACTS. *See* Assignment of Contracts by way of Mortgage.

NOMINATION for payment on death. *See under* Immediate Payment.

PREMIUMS.

Collection of, by Post Office. *See under* Collection.
Comparison of Post Office rates with those of companies: Batchelor, 292–9.
More frequent payment of: Batchelor, 247–57, 337–8, 347. Lang, 1102–4. Salisbury, 1513–7, 1584, 1614–7. *See also under* Weekly.
Question of reduction: Hervey, 611–7, 712–28. Blakey, 815–29, 930–9, 1152–5.

POLICIES, DANGER OF EARLY LAPSE, and consequent loss.

Batchelor, 119–24, 182–9, 354–7. Lang, 1106–7. Salisbury, 1487–90. Brabrook, 1871–2.

POST OFFICE INSURANCE SYSTEM.

Proper scope of: Batchelor, 236–327, 372–4. Hervey, 584–8, 607–10, 745–55. Lang, 1097–100, 1113–20. Hunter, 1362–73, 1406–10. Salisbury, 1441–5, 1491, 1509, 1597–611. Brabrook, 1894–905. Babington Smith, 2066–76, 2163–4, 2168.
Want of success: Hunter, 1280–2. Salisbury, 1620–3. Brabrook, 1801–3.

POST OFFICE SERVANTS, Employment on canvassing work. *See under* Canvassing.

POSTMEN, Employment as collectors or canvassers.

Batchelor, 169. Salisbury, 1423–35, 1458–62, 1469–75, 1492–504. Babington Smith, 2088, 2107–16.

PROPOSAL FORM.

Suggested modifications: Batchelor, 5–66. Hervey, 582. Lang, 1013. Hunter, 1284–6.
Attestation: Batchelor, 18. Hunter, 1284.

RATES OF PREMIUM. *See under* Premiums.

RESIDENCE, RESTRICTIONS AS TO.

Batchelor, 200–22. Lang, 1015–6. Hunter, 1281. Babington Smith, 2146, 2188.

SAVINGS BANK, Advantages of combination of insurance system with.

Batchelor, 342–8. Hervey, 583–95. Lang, 1100–3. Babington Smith, 2171.

STAMPS, Payment of premiums by means of.

Batchelor, 347. Salisbury, 1513, 1563–7, 1614–5. Elser, 1996–2000.

SUB-POSTMASTERS, Employment as canvassers.

Salisbury, 1436–9, 1460, 1479. Babington Smith, 2088, 2175–7.

SUICIDE, Abolition of special provision as to.

Batchelor, 223–4. Hunter, 1284, 1287–300.

SURRENDER VALUE OF CONTRACTS.

Post Office terms too liberal: Batchelor, 513–4, 522–5. Hervey, 589–1, 665–7. Blakey, 840–52, 940–83, 1158–60.
Utilisation for payment of arrears of premiums: Batchelor, 476–527. Blakey, 835–9, 979–83. Hunter, 1284, 1310–12, 1328–30, 1374–93. Brabrook, 1825–9. Babington Smith, 2129.

TABLES OF PREMIUM, Revision of.

Batchelor, 382–402, 430–3. Hervey, 566–77. Lang, 988–1001. Blakey, 1186–8. Hunter, 1284. *See also under* Weekly *and* "With Profits."

TELEGRAPH MESSENGERS, Insurance of.

Salisbury, 1421–2, 1446–55.

VALUATION OF INSURANCE FUND.

Batchelor, 440. Hervey, 546–62, 631–44, 784–7. Blakey, 893–14, 894–917, 1121–40, 1267–76.

WEEKLY PAYMENT OF PREMIUMS.

Batchelor, 247–57, 337–8, 347. Salisbury, 1513–7. Brabrook, 1851–8.

WEEKLY RATES OF PREMIUM, Question of inclusion in tables.

Batchelor, 430–3. Blakey, 1186–8. Hunter, 1412–4.

"WITH PROFITS" POLICIES, Question of issue by Post Office.

Batchelor, 403–17, 421–39. Hervey, 604–17, 625–7, 712–28. Blakey, 815–34. Lang, 994–1001, 1078–86. Hunter, 1284, 1301–9, 1358–61. Babington Smith, 2147–55, 2167, 2187.